BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

MARCH 1954

The Public's Attitude Toward Banks

(page 34)

1954 Bank Advertising Plans

(page 56)

◄

Joint Committee on Economic Report Hears Treasury Opinions

(pages 3 and 37)

◄

THE

THE
FR

WAS

KIDD

MEA

THE

THE

JUST

ARO

HEA

OUR

GOV

INVE

ONE

MET

INST

THE

UNI

BAN

NEV
T

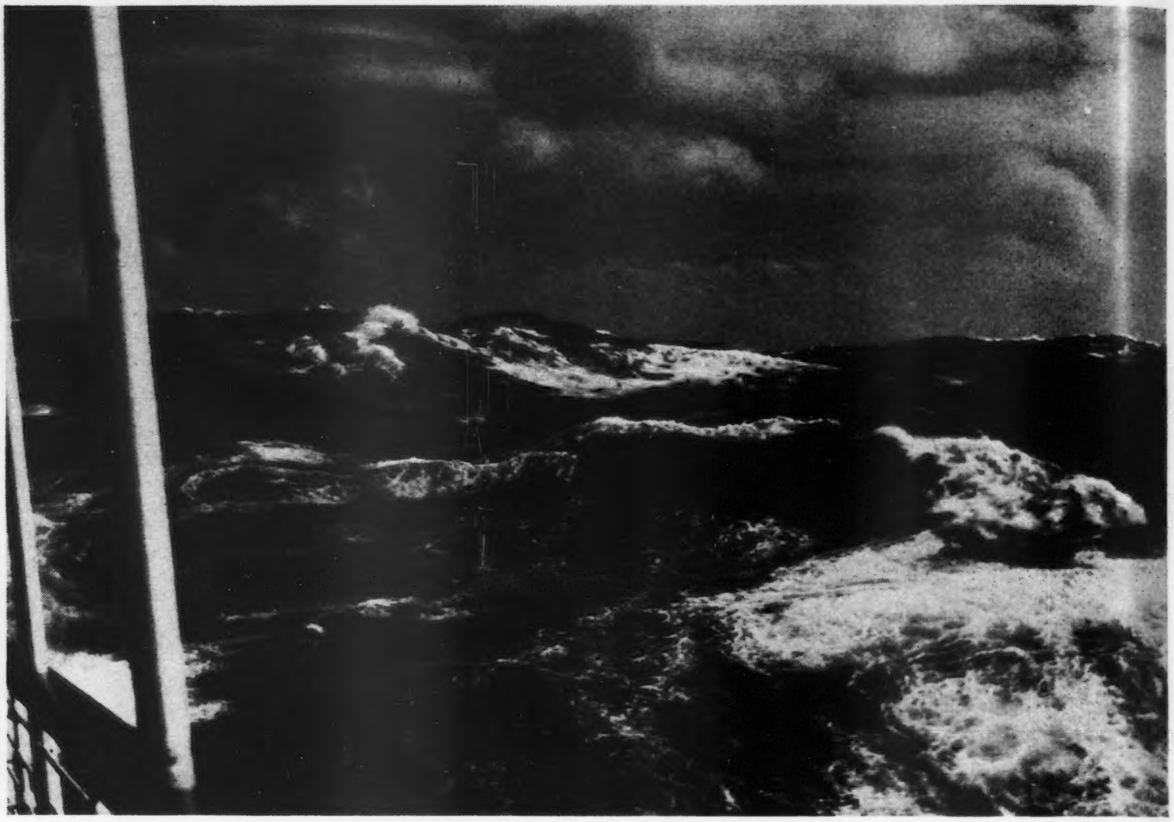
Ma

BANKING

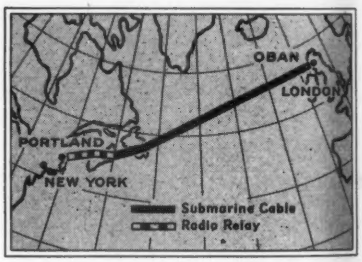
JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

CONTENTS FOR MARCH 1954

Some material belongs in several different classifications but for your convenience is usually listed under one heading only



BENEATH THE BROAD ATLANTIC



General route of the new transatlantic telephone cable system. Conversations and radio programs will travel a new Bell Radio Relay route to Nova Scotia, and then will go through cable to Newfoundland and Great Britain.

your voice will travel the world's first transoceanic telephone cable

A dream almost as old as the telephone itself is moving toward reality today. Work has begun on a 2000-mile voice cable that will cross "the mountains beneath the sea" to connect the United States and Canada with the British Isles.

Through it you will speak to Europe as easily and clearly as you talk to a business associate across town. Amplification for your voice will be accomplished about every 40 miles by vacuum tube repeaters built into the cable and designed to operate continuously for many years.

The new cable will cost about $35,000,000 and will be a joint project of the Bell System, the British Post Office, and the Canadian Overseas Telecommunications Corporation. On its completion, in 1956, it will have three times the capacity of present radiotelephone circuits between New York and London.

Many years of telephone research and development have brought the cable into being. Telephone men and women, telephone investors, and the American people can well be proud of this giant stride forward in the continuing job of providing ever better telephone service.

BELL TELEPHONE SYSTEM

Just a Minute

Busy, Busy March

WHETHER its arrival and exit are lamblike or leonine, March promises fun and adventure for just about everyone—enough, indeed, to compensate for what happens to most of us on the 15th.

Let's look at March chronologically —a comparatively easy task, thanks to the list of special days, weeks, and months prepared by the Domestic Distribution Department of the U.S. Chamber of Commerce.

These 31 calendar days, taken collectively, are possibly Wallpaper Style Month in your neighborhood. They may also encompass the Clean Up, Paint Up, Fix Up Community Development Program; however, this contribution to better living is assigned to April or May in some localities. It depends on the weather.

"One-Dish Meals with Cheese" is another promotion allotted to March; it's down for the 1st through the 31st. (This may well be an appetizer for "Cottage Cheese-Cling Peach Salad Time," which comes in April.)

If you don't like cheese, have some peanuts. "National Peanut Week" is March 7-13, sharing that period with "National Save Your Vision Week."

"National Smile Week" is the label for March 8-13. It's obviously a tuneup for April's "National Laugh Week."

Whoever assigned the dates for "Irish Linen Week" has a master mind; he draped it around St. Patrick's Day.

"National Salesmen's Week" and "National Wildlife Week" move side by side through March 21-27—by coincidence, we hope. "Spring Carpet Bazaar" is March 22-31.

March is also the month of the American Red Cross's membership and fund drive; "National 4-H Club Week" (6-14); "Camp Fire Girls Birthday Week" (14-20); and the beginning of "National Boys' Club Week" (March 29).

Bank Advertising

A $7,000,000 increase in commercial bank advertising expenditures

THIS MONTH'S COVER

The Joint Committee on the Economic Report is shown as it heard the testimony of three U. S. Treasury representatives. At the curved desk of the committee members are, *left to right*, Staff Director Grover Ensley *(standing)*, Rep. Talle, Rep. Wolcott, *chairman*, Sen. Sparkman, Sen. Fulbright, Rep. Patman, Sen. Douglas, and Rep. Bolling. At the witness table, backs to camera, facing right and left, respectively, are Deputy to the Secretary of the Treasury Burgess and Under Secretary Folsom. At the right end of the table is Treasury Secretary Humphrey. The Economic Report and the related opinions of Government financial leaders are discussed in this month's Washington article starting on page 37

BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

The Staff

Editor	WILLIAM R. KUHNS
Managing Editor	WILLIAM P. BOGIE
Senior Associate Editor	JOHN L. COOLEY
Associate Editor	MARY B. LEACH
Associate Editor	THEODORE FISCHER
Assistant Editor	ETHEL M. BAUER
Assistant Editor	RUTH E. BUCKWELL
Advertising Manager	JOHN J. McCANN
Assistant Advertising Managers	ROBERT J. STIEHL JOHN R. PRANN
Eastern Representative	WILLIAM E. MOHAN
Circulation Manager	ROBERT M. ROHRBACH

BANKING is a member of the Audit Bureau of Circulations, the Magazine Publishers Association, Inc., and the Society of Business Magazine Editors

TITLE REGISTERED U. S. PATENT OFFICE

BANKING—Vol. XLVI, No. 9. Published monthly at 5601 Chestnut Street, Philadelphia 39, Pa. Copyright 1954 by the American Bankers Association, Harold Stonier, Executive Vice-president, Merle Selecman, Executive Manager, 12 East 36th Street, New York 16, N. Y., U. S. A.

Send Editorial, Subscription and Advertising Communications to 12 East 36th St., New York 16, N. Y., U.S.A.

Chicago office (John J. McCann), 105 West Adams Street, Chicago 3, Ill.; Washington office, 719 Fifteenth Street, N.W. Subscriptions: $4.50 yearly; Canada, $5.00; foreign, $5.50; single copies, 50 cents. Entered as second-class matter at the Post Office at Philadelphia, Pa., under the Act of March 3, 1879. With the exception of official Association announcements, the American Bankers Association disclaims responsibility for opinions expressed and statements made in articles published in this Journal.

for 1954 over 1953 is indicated by the A.B.A. Advertising Department's 9th annual survey.

The $68,000,000 estimated total, reported by the department's manager, G. EDWIN HEMING, in this month's BANKING, is a new high. Banks in all deposit classifications, except those with less than $1,000,000, said they would spend more in 1954 than in 1953. Savings and thrift top the list of services to be stressed, with checking accounts, car loans and personal loans coming next.

MR. HEMING points out that the series of surveys, extending back to the end of World War II, has accumulated enough information "to reveal trends in expenditures, in the use of media, and in the choice of advertising subject matter." Some of the trends are pointed out in the article.

Teller's Timing Transfers a New Account

HERE'S one from the *Hartford* (Connecticut) *Times:*

"When Mrs. MARTIN W. LIDSTONE had a baby at Hartford Hospital her timing was almost perfect. She is the new accounts teller at the State Savings Bank, which along with the city's three other mutual savings banks took part in Thrift Week by giving $5 savings accounts to each baby born here during that week. Each bank has certain days for its babies.

"Last year MRS. LIDSTONE was selected to present $5 accounts to a set of twins born on one of the days sponsored by the State Savings Bank. She went to the hospital to make the presentation and the picture appeared in the *Times.*

"Now, a patient a year later, her son arrived right in the middle of Thrift Week. She made only a 24-hour miscalculation. So from now on, Mrs. LIDSTONE will come out from behind her new accounts window at the State Savings Bank and walk down Pearl Street to add to her baby's savings account—at the Mechanics Savings Bank!"

"Fill 'er up!"

"I'm Miss Wilson, teller at the Merchant Trust. You'll *love* our bank!"

These Folks Mean Business

EACH year the men who read and grade the papers written by American Institute of Banking correspondence students meet in New York to compare notes, review their work, and offer suggestions to the A.I.B.'s national office staff.

The 1954 conference saw a departure from precedent: Dr. LEROY LEWIS, the national educational director, invited two students to attend. One was an examiner for the Federal Deposit Insurance Corporation, the other a Connecticut savings banker. They had that rare academic opportunity, a chance to examine their examiners—ask questions, comment, criticize.

Into the notebook of BANKING'S reporter went this observation:

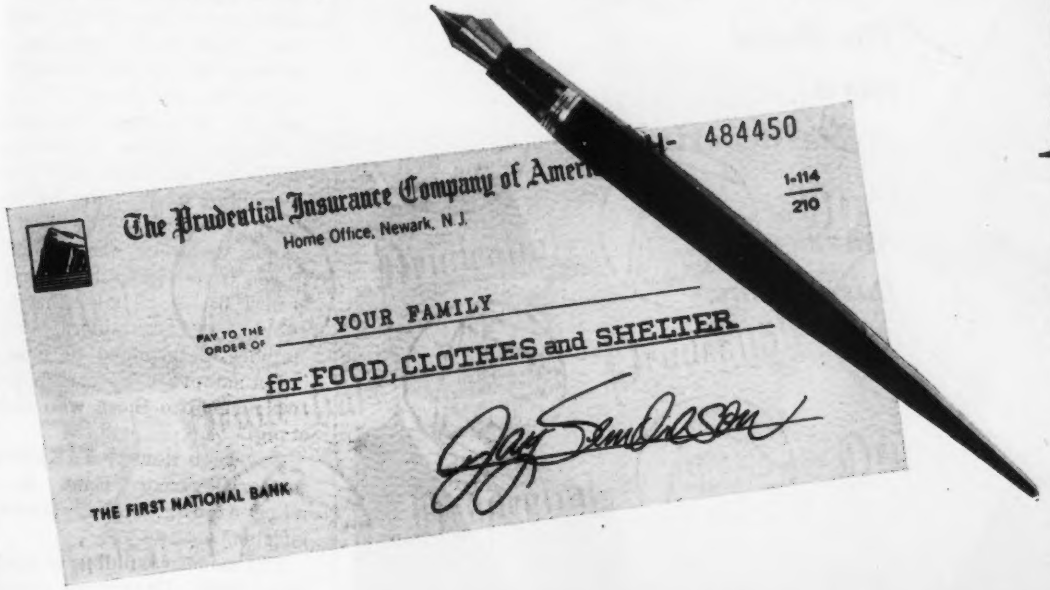
"One student says he wishes he could read the comments his examiner writes on his papers. Got 98 on the last one, but still doesn't know what the prof was trying to tell him in the margin. (Prof promises to be more legible.)"

More seriously, BANKING also noted the highly significant fact

(CONTINUED ON PAGE 6)

Meal ticket for your family

...every month if Dad isn't here



. . . from a recent advertisement of the Prudential Insurance Company of America

The extensive use of La Monte Safety Papers by large corporations is once again illustrated in the above clipping from an advertisement of the Prudential Insurance Company of America. Checks lithographed on La Monte Safety Papers are used by banks and corporations the world over.

La Monte

SAFETY PAPER FOR CHECKS

GEORGE LA MONTE & SON, NUTLEY, NEW JERSEY

La Monte 1871

THE WAVY LINES ® ARE A LA MONTE TRADE-MARK

(CONTINUED FROM PAGE 4)

that 65 percent of the Institute's correspondence students complete their courses. This is an exceptionally large proportion; 45 to 50 percent completions in correspondence work are considered good.

These A.I.B. folks mean business!

Packing 'Em In

A GOVERNOR, an ex-governor, 15,000 piggy banks, and $2,000 in cash prizes were among the attractions that drew 35,263 persons to the opening of the new $700,000 home of the Rapides Bank & Trust Company in Alexandria, Louisiana.

President JAMES C. BOLTON said the crowd exceeded the population accredited to the city by the 1950 census. Each of the first 15,000 people entering the building received a plastic bank equipped with a new nickel. That exhausted the supply of containers, but the Rapides, determined to give everyone a sample of its product, handed two nickels to those who didn't get a pig.

Governor ROBERT F. KENNON and former-Governor EARL K. LONG were among the distinguished guests.

The modern building is the bank's third home. Four large murals decorate the lobby.

Sorry, Lincoln of Brooklyn!

THE folks at the LINCOLN SAVINGS BANK OF BROOKLYN, New York, were doubtless irritated when they read on page 146 of BANKING for February the item "Staff New Business Drive." It said that the Lincoln's home was in *Rochester*, New

(CONTINUED ON PAGE 11)

"Not that I don't appreciate all the promotions I've had, Mr. Tenney, but this time could I have the money instead?"

Screened-in porch adds living space to this 3-bedroom Gunnison Coronado.

"I sold 55 Gunnison

Carport, fireplace, and brick wainscoting increase value and sales appeal of this Gunnison Coronado. Basic model measures 24 ft. x 40 ft., has 3 bedrooms.

How he did it

1. Excellent product at low price: Gunnison Homes.

2. Strong market potential for low-priced Gunnison Homes. Extra features add sales appeal, attract people to suburbs.

3. Trained erection and sales personnel. Every home under roof in 56 man hours. One experienced salesman devotes his full time to selling homes; he can handle up to 100 homes a year.

4. Development plans approved by local planning commission. Gunnison Homes designs accepted by FHA and VA.

5. Intelligent planning of entire development helped to get good mortgage financing. 90-day construction financing arranged for locally.

6. Development promoted as planned community in local newspapers. National and local advertising by United States Steel Homes, Inc., supports the dealer.

(CONTINUED FROM PAGE 6)
York—incorrect by a good many miles.

Well, as Francis Bacon said, "He who errs quickly is quick in correcting the error."

The Annual Reports

IN this month's "Public Relations" department there are some notes on the 1953 bank reports.

Meanwhile, you may have missed the comment on that subject in the January issue of *Arizona Progress*, published by Valley National Bank and edited by HERBERT A. LEGGETT. Under the title "Annual Reporting" it says:

"The annual report has become a thing of beauty and a joy for printers. Gone are the days when corporation presidents simply sent out a terse mimeograph stating that the company earned so much last year compared with so much the previous year. It may or may not have contained the rousing assurance that 'if all goes well, we hope to maintain the current dividend rate.' Today it takes a CPA to tell what a company made after reserves, amortization, taxes and countless charts, graphs and 'candid' pictures of executives looking busy and employees looking happy.

"Preparation of the report calls for the joint efforts of the Advertising Dept., Publicity Dept., Public Relations Dept., Sales Dept., New Business Dept., Old Business Dept., and any expendable vice-presidents not specifically engaged in the company's main business, that of making and selling widgets. Designed primarily as a promotion piece, and hang the expense, it may even win an Honorable Mention, Class C Award, along with a dozen other companies in the same field."

Arizona Progress goes on to say that the president's message is "the most complicated, and dullest, part of any report."

"It must strike exactly the right balance between optimism and conservatism. If things appear to be going too smoothly, stockholders may get the unthinkable idea that the management is being overpaid. If difficulties are overstressed, they may deduce that the job is too big for present incumbents.

"The best course is to treat so casually or so technically of company affairs that no one can figure out what happened. In closing, be sure to come out strongly against

"Junior put an 1890 penny in here that his dad was collecting. We'd like to have it back, please."

The Good Supervisor

HE must have attained the ability to work well with people through developing an understanding of human nature. He must have a thorough understanding of management's policies and knowledge of the jobs under his direction, coupled with adequate experience and intellectual development. He must have an enthusiastic attitude and capacity for work. He must possess inherent qualities of loyalty, integrity, frankness, and fairness. He must have the ability to teach and delegate work to others.

That sounds like a superman set of requirements, and yet when we find a really good supervisor, he will undoubtedly possess all of them. We should be striving to develop the same qualities in those we depend on.

Making the best of each person's ability and strengthening the human element are stepping stones to the training of good supervisors. Some day that supervisor may be the replacement that makes you available for a step up the ladder in a bigger and better bank. Train him well!—ARTHUR W. GLENNIE, vice-president and cashier, La Salle National Bank, Chicago.

communism and high taxes. This shows a firm grasp of the foreign situation as well as of domestic problems.

"Of course, only two people will ever read the great opus all through: (a) an assistant statistician in some brokerage firm, (b) Old Man Smithers, age 83, who owns 10 shares of stock. The latter will also attend the annual meeting and make his traditional speech criticizing the company's dividend policy and its lack of foresight back in 1902 when it failed to buy out Henry Ford."

Giltless Treasury

THE numerous pillars and pilasters visible in the second and third floor corridors of the Treasury Building in Washington were, until recently, gilded.

At the orders of Secretary HUMPHREY the edifice is being spruced up, within and without. Walls of offices and hallways are being painted in brighter hues. The gilt on the pillars has become a casualty of the renovation and is now covered with plain paint.

What the Public Thinks

SEE page 34 for a report on what people in four cities think of banks and bankers.

Polls show that husbands prefer wives who can cook. These experts will finally discover everything.

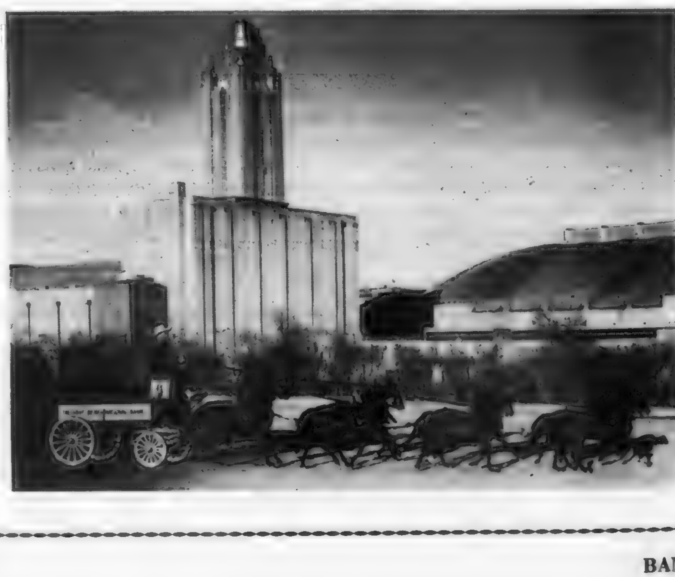
It may be hard to support life on Mars, but it isn't easy on this planet either.

We suppose some of the children who run away from home are looking for their mothers.

A bride of 21 faces the job of cooking 50,000 meals, unless she gets a can opener as a wedding gift.

BANK'S PONIES A RODEO FEATURE

One of the rodeo attractions at the Southwestern Exposition and Fat Stock Show in Fort Worth this winter was the Fort Worth National Bank's "pony hitch" which gave eight-minute performances twice a day. At the conclusion of the show the hitch was taken to three of the city's orphanages and the children were treated to rides in the little wagon



"I'M sorry, I can't cash this check for you—it hasn't been signed," said the teller.

"Well, what shall I do?" nervously questioned the lady customer. "Mrs. August Dalrymple—you *must* know her—gave me that check to pay for some plants she bought from me, and I know it must be good."

"Why don't you just call her up and ask her if you should send it back for her to sign, or ask if she will stop in the bank and sign it when she is in town?" suggested the teller. The customer went hopefully to the 'phone.

In a moment she was back. "She wants to talk to you," she said.

The teller took the receiver, only to hear the check-writer, in a stiffly controlled, but obviously annoyed

voice, say, "I'm surprised that you would refuse to pay a check of mine."

"But it wasn't signed," protested the teller.

"That makes no difference at all—pay it, anyway. I thought everybody in your bank knew *me!*"

THEY were opening a joint checking account and the wife was doing most of the talking.

"And what is your occupation?" asked the clerk.

"I'm foreman at the X & X Fruit Packing Company," was the reply.

It seemed a little peculiar, but the clerk wrote it down and, turning to the husband, said, "And your occupation?"

"I'm foreman at the X & X Fruit Packing Company."

"Are *both* of you foremen?" asked the surprised clerk.

"Well, I'll tell you how it is," explained the man. "I'm the foreman, and I tell her what to do, so that makes her the foreman, too, see?"

The amused clerk completed the report and then explained that, as this was a joint account, either of them could draw checks on it.

"Oh, shucks," exclaimed the wife. "You don't need to worry about anybody but me writing checks on *that* account. I'll be writing them all, because I write so much better than he does!"

SHE was a member of a woman's club and the other members wanted to elect her treasurer. Foreseeing the tiresome task of collecting dues and keeping the bank account straight, she protested. "Oh, I couldn't do that," she said. "I don't know anything about banking. Why, I've never even made a deposit in a bank!"

This was somewhat surprising to the other club members, as the lady was certainly financially eligible for a bank account.

"But you don't mean to say that you don't have an account in the bank, do you?" one asked.

"Oh, yes!" came the airy answer, "but I just write checks on it!"

BELLE S. HAMILTON

Some successful men who require air-conditioned offices were reared in homes where the snow blew in through chinks in the attic.

A few persons try to get something for nothing, but the others pay $1 down and $1 a month for the rest of their lives.

One Check Pays the Bills

EDWARD T. SHIPLEY

MR. SHIPLEY *is auditor of the Wachovia Bank and Trust Company, Winston-Salem, North Carolina.*

OUR "multiple check" service not only permits customers to pay their local bills with a single check, but also provides an excellent means of obtaining deposit balances from merchants, doctors, public utilities, and other "vendors" of goods and services.

The multiple check is a page 18 inches wide and 15 inches high on which is printed at the left margin a check stub large enough to list 35 payments. In the upper right-hand corner of the page is printed a regular check form payable to the bank, perforated to permit detaching it. On the remainder of the page are listed in four columns the names of the 230 most popular vendors in the area. Ten blank lines are provided to permit the users to enter any additional vendors not included in the printed list. A vendor's code number precedes each vendor's name on the page and a blank column divided as to dollars and cents appears opposite the vendor's name.

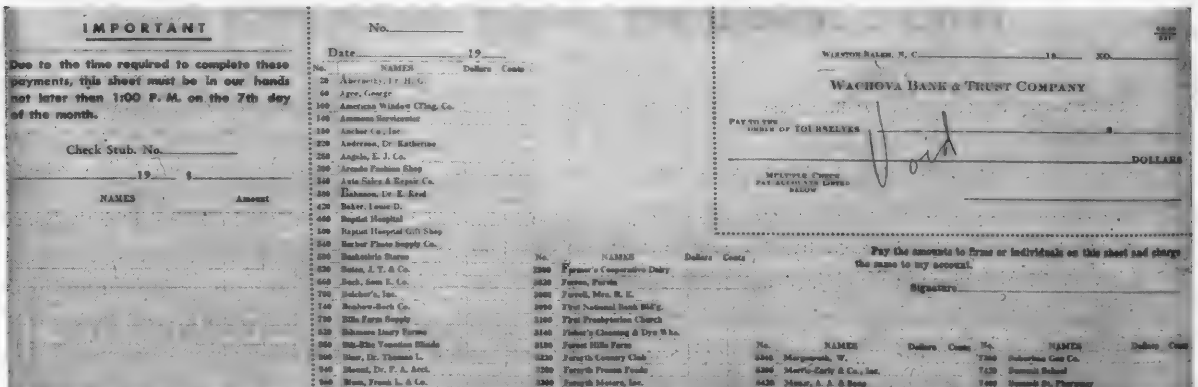
Use of the check by the depositor is simple. The amount to be paid to any vendor is listed opposite his name on the printed list. If a specific vendor is not listed, his name is entered on one of the blank lines provided and the amount entered opposite it. The entries are then totaled and the amount entered on the check form provided. The check form is then signed and the entire page detached from the stub to be forwarded to the bank. All checks must reach the bank by the 7th of the month. The check stub provides space for the customer to maintain a record of the bills paid.

At the bank the completed checks are detached from the list of vendors, charged to the customer's account and credited to a suspense account. The list of vendors together with a total of the checks received is then forwarded to the tabulating department for proof and distribution.

The tabulating department maintains a master file of vendors and their addresses coded in accordance with the code number preceding each vendor's name on the multiple check. It also maintains a master file of users' names coded in alphamerical sequences.

The first step in processing the multiple checks is to code each page received as to the customer from whom received and to supply the code number for vendors whose names may have been added to the list. From the information appearing on each page, cards are punched indicating the customer's code, the vendor's code, and the amount. The cards are then tabulated and balanced with each page and with the total of the payments received.

Here are the top and bottom sections of the Wachovia's multiple check page, showing stub, check form, names and code numbers of some of the vendors, and amounts due.



When balanced, the punched cards are collated against the customer's master file, inserting the appropriate customer's master card ahead of the punched cards representing his payment.

The customer's name is then intersperse gang punched into the detail cards. The master cards are sorted from the detail cards and returned to the customer's master file.

The detail cards are sorted on the vender's code and collated with the vendor's master file intersorting those to whom payments are to be made and rejecting those not needed.

At this point the cards are in order by vendor preceded in each case by the name and address of the vendor. With the tabulator a statement is prepared in duplicate for each vendor listing each customer, itemizing the respective payments, and ending with a total of all payments included. A card is prepared as each total is taken, onto which is summarized the total of the vendor's statement and the vendor's code.

Vendor Cards Sorted

When all statements have been completed, the vendor's master name and address cards are separated from the detail cards and collated with the summary cards just described. This deck is then sorted by a code as to those whose accounts are to be credited and those to whom remittance must be made. Upon completion of this sort, deposit tickets in duplicate and checks are prepared on the tabulator. These, together with the vendor's statements and the multiple checks, are returned to the cashier's department for mailing.

The cashier's department, upon receipt of the deposit tickets and checks, closes out the suspense account originally established crediting part of it to demand deposits for the deposit tickets received and the remainder to official checks for the remittances to be forwarded. One copy of the vendor's statement and a duplicate deposit ticket or remittance check are then forwarded to each vendor. The deposit ticket and check are prepared in such a manner that window envelopes can be used for this purpose.

The multiple checks, bound 12 to

(CONTINUED ON PAGE 19)

(CONTINUED FROM PAGE 17)

the book, are sold to each using customer at a price sufficient to insure a margin of profit. Few, if any, of the users maintain accounts with the bank which would be subject to service charge; thus the reduction of check volume in the bookkeeping department is a further gain.

Each user pays an average of 20 bills per month through this service with a postage savings of at least 60 cents. In addition they have a simplified record of bills paid and a considerable saving of time in the preparation of checks.

Bank Gets Balances

Of the bills paid through this system, more than 75 percent are credited to the vendor's account with our bank. It is not claimed that this service was entirely responsible for obtaining the accounts, but it may well have been instrumental and it certainly contributes toward the maintenance of improved balance. The vendor receives immediate credit for these funds subject to no analysis charges. His own internal accounting procedure is simplified in that many accounts can be posted from a single statement.

Further, the appearance of his name on the multiple check is in itself good advertising.

★★★★★★★★★★★★★★★★★★★★★★★★★★★★

"The top one sorta tells you where things are in the center one, and the center one sorta tells you where to find things in the bottom one"

Heard Along

J. Kenneth Townsend, *left*, president of New York Chapter, A.I.B., and personnel director of Chemical Bank and Trust Company, presents to Benjamin Strong, president of United States Trust Company, an honorary membership in recognition of services in the banking, educational, and charitable fields. The award was made at the Chapter's 50th annual banquet at the Hotel Astor. Mr. Strong is vice-chairman of the Chapter's Advisory Council

This department is compiled by THEODORE FISCHER *of* BANKING'S *staff.*

Catches Her Man

OTHELLA FERREE, teller in the Ellenboro branch of Union Trust Company, Forrest City, North Carolina, is a lady who knows a crook when she sees one — and knows how to handle him, too.

MISS FERREE was alone in the bank one recent noonday when a man stepped up to her window to cash a check. She recognized her customer as a man wanted for forgery. She engaged him in conversation and then enticed him into the vault, ostensibly to see a new coin-counting machine. As the man entered the vault, MISS FERREE slammed the door and locked him in. Then she phoned the sheriff. When the minions of the law arrived, she calmly unlocked her prisoner and handed him over.

The Forrest City *Courier* not only reported the event but editorially complimented MISS FERREE on her quick thinking.

Installation of air conditioning in a building the size of IRVING TRUST COMPANY'S One Wall Street building in New York is no easy matter. Some sizable equipment had to be hoisted to the roof, some 600 feet above the sidewalk. Distance from the street to the roof is so great that the only way the workmen could keep contact with each other in the high winds was by walkie-talkie.

W. Harold Brenton, *left*, immediate past president of the American Bankers Association and president of State Bank of Des Moines, Iowa, newly elected treasurer of the Republican National Committee, with Leonard Hall, Committee chairman, and Harlan I. Peyton, new vice-chairman

UNITED PRESS

John C. Lewis

Lynn Lloyd

JOHN C. LEWIS, newly appointed vice-president of Manufacturers Trust Company, New York, will be supervising officer of the bank's 14 offices in the borough of Queens. He succeeds in this position GEORGE M. BRAGALINI, who recently was appointed City Treasurer of New York City.

LYNN LLOYD, who retired on January 1 under the retirement plan of Harris Trust and Savings Bank, Chicago, has joined Valley National Bank, Phoenix, Arizona, as senior vice-president and executive head of the trust department. He had been with Harris Trust for 25 years, and was vice-president in charge of its trust department.

STETSON B. HARMAN was promoted to assistant vice-president and trust officer of First Trust and Savings Bank of Pasadena, California. MR. HARMAN is national president of the American Institute of Banking.

Never Missed

FRANK B. WOLFF, local jeweler and member of the board of directors of the Buena Vista National Bank, Chester, Illinois, was honored at a surprise dinner for his services to the community and to the bank. In 40 years as a director, MR. WOLFF has never missed a meeting of the board.

Main Street

R. D. Knight, Jr.

Eugene F. Cronin

ALBERT N. WILLIAMS, SR., has become chairman of the board at U. S. National Bank, Denver, succeeding T. A. DINES, retired. ROGER D. KNIGHT, JR., was named president. He was formerly president of Campbell-Sell Baking Co. NEIL F. ROBERTS was named executive vice-president. New vice-presidents are RAYMOND C. ERICKSON, JOHN D. HERSHNER, and GEORGE D. SCHWEIGERT.

A new bank has been organized in Chicago — the Ashland State Bank. EUGENE F. CRONIN is president of the new institution. He was recently vice-president and trust officer of the River Forest (Illinois) State Bank.

At the Rutland (Vermont) Savings Bank, STETSON C. EDMUNDS was named executive vice-president and ALFRED J. WIMETT, JR., was promoted to vice-president and continues as secretary and treasurer.

Building; Weddings

A SPECIAL section of the *Daily Town Talk* greeted the opening of the new $700,000 bank building of RAPIDES BANK AND TRUST CO., Alexandria, Louisiana. And a block away, the bank has constructed a parking garage which holds 90 cars, with an adjoining lot with room for 60 additional cars.

One item in the special bank section of the newspaper points out that "banking and matrimony seem to have a working agreement." During the past year, 12.7 percent of the bank's employees got married. There are 76 married employees and 50 who still are single. By coincidence, lady staffers outnumber the men by the same margin, 76 to 50.

Two new vice-presidents were named in the headquarters office of Bank of America, San Francisco: EDWIN MCINNIS, trust department, and J. HAYDEN HULL, bond investment department. At the Los Angeles headquarters office, FRANK H. CHAMPLIN and DOUGLAS F. SCOTT were advanced to vice-presidents.

At Liberty National Bank and Trust Company, Oklahoma City, FELIX SIMMONS has resigned as a vice-president but continues as a member of the board; C. R. ANTHONY was elected vice-chairman of the board; GRADY D. HARRIS, JR., was promoted to vice-president.

W. L. HEMINGWAY, president of the A.B.A. in 1942, has been named honorary chairman of the board of Mercantile Trust Company, St. Louis. HORD HARDIN, formerly executive vice-president, succeeds MR. HEMINGWAY as chairman of the ex-

Robert J. "Bob" Boyd, for a number of years Acting Director, Banking and Investments, U. S. Savings Bonds Division, Treasury Department, has opened an investment business in Culpeper, Virginia. He will specialize in Mutual Fund shares. The Boyds are making their home in Slate Mills, Virginia

James P. Hickok, executive vice-president, First National Bank in St. Louis, holds an oversize "Freedom Scroll" while Julia Terry, St. Louis' 1954 Veiled Prophet Queen, affixes her signature. Looking over her shoulder is Lawrence K. Roos, executive vice-president, Mound City Trust Company, St. Louis. Both bankers are active in the Missouri Crusade for Freedom, Mr. Hickock as State Crusade treasurer, Mr. Roos as state chairman. At left is John Sheple, Greater St. Louis Crusade chairman, who is a partner in G. H. Walker & Company, investment brokers

Claude H. Booker

Tom A. Lamar

F. P. Godsoe

F. A. Paul, Jr.

ecutive committee. President GALE F. JOHNSTON was elected vice-chairman of the board and president. HOWARD E. LABARR advanced to vice-president; GEORGE L. ESCHBACHER was elected secretary.

TOM A. LAMAR has been elected chairman of the board of the First National Bank of Rome, Georgia. He is succeeded as president by CLAUDE H. BOOKER. CHARLES L. HAMPTON was promoted to vice-president; JOHN R. SIMPSON, assistant trust officer.

OTTO B. LARSEN was elected president of the Pajaro Valley National Bank and Pajaro Valley Savings Bank, Watsonville, California, succeeding HARRY V. KADDERLY, retired. WALTER J. DUTRO was elected cashier.

Consolidation Completed

THE consolidation of Providence Union National Bank and the Industrial Trust Company is complete and the new institution—INDUSTRIAL NATIONAL BANK OF PROVIDENCE—is now in operation. The new bank has 32 offices throughout Rhode Island with total resources of over $479,000,000.

WALTER F. FARRELL, formerly president of Providence Union, was elected chairman of the board. T. DAWSON BROWN, former president of Industrial Trust, was elected president. RUPERT C. THOMPSON, JR., former executive vice-president of Providence Union, was named executive vice-president of the new bank.

The consolidation unites Rhode Island's oldest bank with the state's largest bank. The new bank is operating under the national charter formerly held by the Providence Union National Bank.

At the Grove City (Pennsylvania) National Bank, these elections have been announced: C. G. HARSHAW, chairman of the board; JOHN MCCUNE, JR., president; MORGAN BARNES, vice-president.

FREDERICK P. GODSOE has been appointed assistant cashier and manager of the Statler office of the Second National Bank of Boston. He's an alumnus, class of 1953, of The Graduate School of Banking, and author of a thesis on "Management Continuity" which will appear in the forthcoming *Present Day Banking 1954*.

FRANK A. PAUL, JR., advanced to executive vice-president of the American National Bank, Amarillo, Texas. MR. PAUL comes from a banking family. Others in the business have been his grandfather, his father, and his uncle.

FRANK B. MERGET was elected executive vice-president of Mercantile-Commerce National Bank in St. Louis, succeeding RALPH D. GRIFFIN, who is retiring.

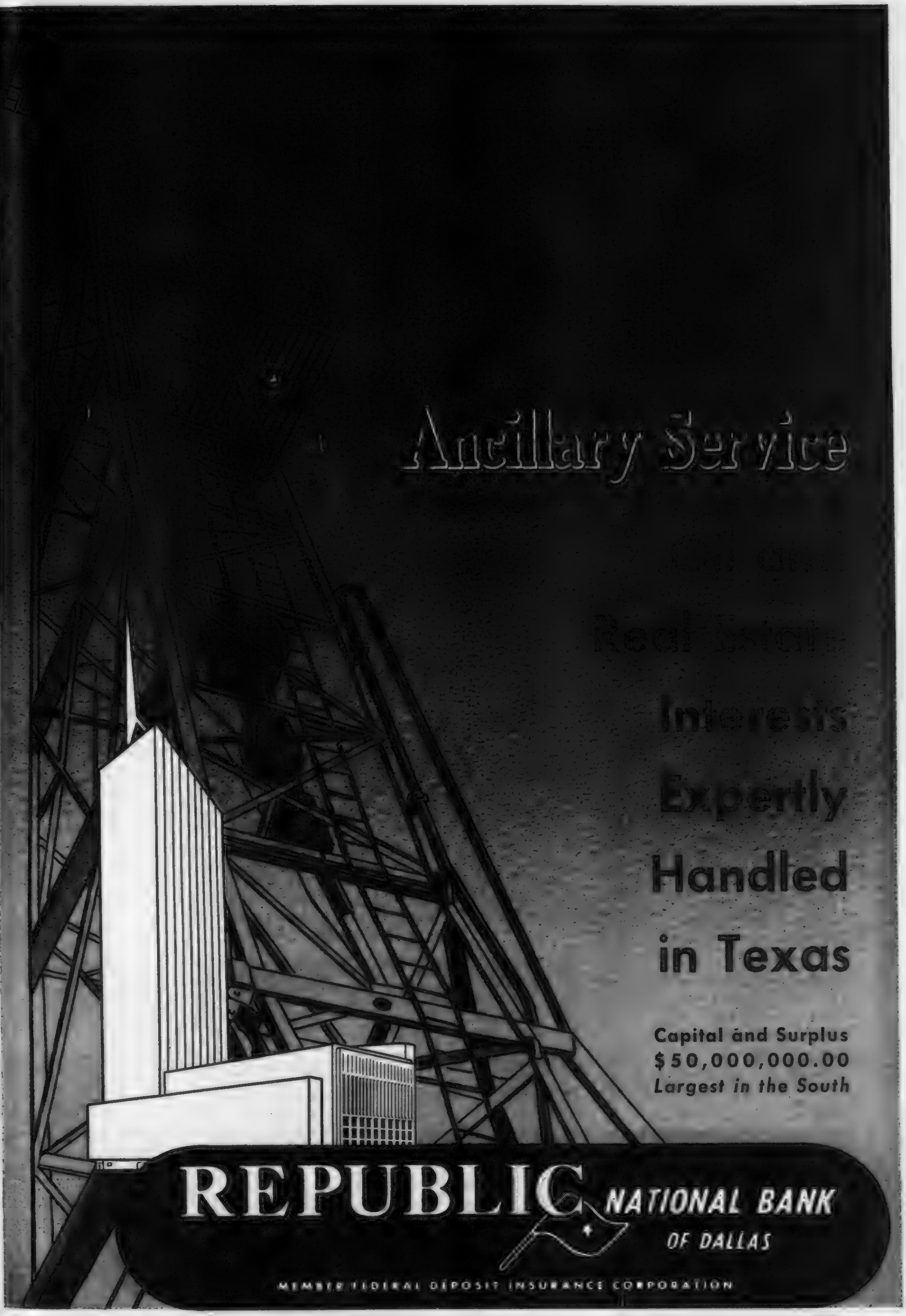
CENTRAL-PENN NATIONAL BANK of Philadelphia has completed its new $2-million Penn Center office. It features drive-in and parking facilities, has a sun deck for the 470 employees in the building, and a lounge for depositors in the banking room on the first floor. Approximately two acres of usable floor space is available for banking operations in the 6-story building.

New Deal for Indians

THE nation's Bureau of Indian Affairs will undergo a drastic overhaul as the result of recommendations of a survey team headed by WALTER R. BIMSON, board chairman of Valley National Bank of Arizona, Phoenix.

Following announcement of the proposals by Interior Secretary Douglas McKay, they received widespread editorial support from Ari-

(CONTINUED ON PAGE 24)


Ancillary Service
Real Estate
Interests
Expertly
Handled
in Texas
Capital and Surplus
$50,000,000.00
Largest in the South
REPUBLIC NATIONAL BANK
OF DALLAS
MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

MAIN STREET (Continued)

zona and New Mexico newspapers—the states where the bulk of the nation's Indian reservation population is concentrated.

Secretary McKay said many of the changes advocated by the Bimson field survey group will be put into effect at once. Others, of a long-range nature, will require congressional action, he indicated.

"Pervasive"

WILLIAM A. MITCHELL, president of Central Trust Company, Cincinnati, is subject of a recent feature in *Business Week's* series analyzing top jobs in business.

Through several pages of pictures and text, the article, titled "For a Banker: No Ivory Tower," carries the reader through a typical day with the president of a big bank.

Says the magazine: "The role of the banker in any community is pervasive. He can help a man's business grow; he can slow the man down. He can make his whole city a good or not-so-good place to do business in."

DONALD P. FLYNN, assistant cashier in charge of the public relations department of First National Bank and Trust Co., of Tulsa, Oklahoma, was named Tulsa's outstanding young man of 1953. He's 28. He led the city's March of Dimes drive last year and was active in numerous other activities.

Daniel W. Bell

Corcoran Thom

CORCORAN THOM has resigned as chairman of the board of American Security and Trust Company, Washington, D. C., the resignation becoming effective on February 1, the 45th anniversary of his association with the bank. He will continue as a director. DANIEL W. BELL was elected to serve as chairman of the board in addition to president.

FRANCIS N. FORD, president of the Big Rapids (Michigan) Savings Bank, has announced plans to retire in June when he reaches the age of 70. He has been elected to the newly created position of chairman of the board and is succeeded as president by JOHN O. BERGELIN.

Cat Story Wins Prize

A STORY concerning Tom, the cat on the payroll of STATE-PLANTERS BANK AND TRUST COMPANY, Richmond, Virginia, won third place for the best feature story of the year in the Richmond *News Leader.* Tom was adopted by the bank from the Richmond A.S.P.C.A. and receives 50 cents a week for his services as mouser.

James A. Lundy, president of the borough of Queens, New York City, cuts the ribbon opening the new Kew Gardens Hills office of the Queens County Savings Bank, with Joseph A. Upton, president, and two hostesses of the bank. The new building is a reproduction of Independence Hall. A wing houses the Queensborough Public Library

E. R. Marshall

E. O. Cappers

At Norfolk County Trust Company, Brookline, Massachusetts, EDWIN R. MARSHALL, formerly president, has been elected board chairman; ELMER O. CAPPERS, formerly executive vice-president, was elected president.

EDWARD L. CRABBE, assistant vice-president of National City Bank of New York and manager of its City Bank Farmers branch, has been named to the board of directors of the First National Bank of Toms River, New Jersey.

SAM R. HUNTER advanced to vice-president and ELDRIDGE FERGUSON to assistant cashier at Citizens Bank of Americus, Georgia.

TITO R. BELLI, assistant cashier in the international banking department of Bank of America's San Francisco head office, has been assigned to Italy for a year's study of Italian banking.

The HOUSTON (Texas) NATIONAL BANK has opened a new motor bank in the downtown business district. It has four drive-in windows and is connected with the main building by an underground tunnel. The driveways will accommodate 17 cars at one time. A brief opening ceremony featured antique automobiles which were loaned by the Horseless Carriage Club in Houston. The cars were placed on exhibit for the day in the customer parking lot adjoining the motor bank.

EMMETT CURRY, FRED PETERS, and HENRY R. ROOSE are now vice-presidents of the United States National Bank, Omaha, Nebraska.

GROVER ELLIS, JR., was promoted to vice-president of First National Bank in Houston.

Four promotions to vice-president were announced by Seattle-First National Bank, Seattle, Washington: JOHN H. GORMLEY, MINER H. BAKER.

FRANK L. BUELL, and GLENN V. HUMPHREY. Ten other promotions were made in the bank.

WALTER L. TINDLE has advanced to vice-president of the Long Island Trust Company, Garden City, New York.

W. V. JOHNSON was promoted to vice-president in the bond department of the People's National Bank of Charlottesville, Virginia. He has been with the bank since 1918. Also promoted to vice-president was ROSCOE S. ADAMS, JR., who is a member of the class of 1954 at The Graduate School of Banking.

Tour South America

J. PETER GRACE, JR., president of W. R. Grace & Co., New York City, was host recently to a number of financial leaders on an 8-day tour to Peru, Chile, and Colombia. Among the bankers who made the trip were: from Boston, EDWARD L. BIGELOW, president, State Street Trust Company; from San Francisco, WILLIAM W. CROCKER, board chairman of Crocker First National Bank, and ELLIOTT MCALLISTER, president of Bank of California, N. A.; from New York City, CHARLES D. DICKEY, vice-president, J. P. Morgan & Co.; HAROLD H. HELM, president, Chemical Bank & Trust Company; WILLIAM L. KLEITZ, president, Guaranty Trust Company; DAVID ROCKEFELLER, senior vice-president, Chase National Bank; FRANCIS S. BAER, senior vice-president, Bankers Trust Company; and RICHARD S. PERKINS, president, City Bank Farmers Trust Company.

Edw. D. Smith

R. Clyde Williams

E. D. Finley, Jr.

H. F. Harrington

R. CLYDE WILLIAMS, since 1945 president of the First National Bank of Atlanta, Georgia, has been named vice-chairman of the board. EDWARD D. SMITH, Atlanta attorney, was elected president and a director.

EDWARD F. MEYERS has been named vice-president and trust officer of Union Bank of Commerce, Cleveland, and has been placed in charge of the trust department. CARL L. BEIER was promoted to vice-president.

Ghiglieri to Washington

BARNEY J. GHIGLIERI, president of the Citizens National Bank of Toluca, Illinois, and chairman of the Organization Committee of the A.B.A., has been appointed a consultant to Kenton R. Cravens, Administrator of the Reconstruction Finance Corporation. He will advise Mr. Cravens primarily on problems attendant upon RFC's loan disposal program involving the sale of the major portion of its interest in some 3,000 to 4,000 of its smaller loans. MR. GHIGLIERI is to assist in a liaison capacity between the RFC and the banking system in setting up the program.

Here are some of the 43 financial leaders who made a quick trip to three South American countries as guests of J. Peter Grace, Jr. See story above

EDWARD D. FINLEY, JR., was promoted to vice-president of Hibernia National Bank in New Orleans.

Changes at Boatmen's

HAROLD T. JOLLEY, president since 1947 of the Boatmen's National Bank, St. Louis, has been named vice-chairman of the board. HARRY F. HARRINGTON, who is chairman of the A.B.A. Insurance and Protective Committee, becomes the eighth president of the 106-year-old bank. ROYAL D. KERCHEVAL was named senior vice-president; DAVID H. MOREY becomes vice-president and trust officer.

PROVIDENT TRUST COMPANY, Philadelphia, has opened a new branch at 3701 North Broad Street.

63 Years an Officer

JOHN L. DICKINSON, for 63 years an officer of the Kanawha Valley Bank, Charleston, West Virginia, has retired as chairman of the board and is succeeded in that position by his brother, CHARLES C. DICKINSON, for several years chairman of the bank's executive committee. MR. JOHN DICKINSON recently celebrated his 84th birthday.

HOMER A. HOLT, former Governor of West Virginia, was elected to the board of directors. Before his election as Governor, he was the state's Attorney General. More recently he was a director and general counsel of Union Carbide and Carbon Corporation, and he is currently member of a law firm.

RAYMOND N. BALL, president since 1929 of Lincoln Rochester Trust Company, Rochester, New York, has been named chairman of the board—the first full-time chairman in the bank's history. He is succeeded as president by JOHN W. REMINGTON. MR. REMINGTON is a past president of the Trust Division of the American Bankers Associa-

(CONTINUED ON PAGE 28)

Gerald R. Dorman

John D. Butt

MAIN STREET (Continued)

tion and currently serves on the Division's Committee on Relations with Supervisory Authorities, and on the A.B.A.'s Economic Policy Commission.

GERALD R. DORMAN has been elected president of Bushwick Savings Bank, Brooklyn, New York, succeeding DR. FRANK D. FACKENTHAL who has resigned to devote himself to public service activities. MR. DORMAN, executive vice-president since September 1952, was formerly Deputy Superintendent of Banks of the State of New York, in charge of savings banks. DR. FACKENTHAL is a former acting president of Columbia University, and is now president of Columbia University Press. He will continue as a trustee and as chairman of the bank's building program.

JOHN D. BUTT, formerly executive vice-president of the Seamen's Bank for Savings in the City of New York, was elected president. CLARENCE G. MICHALIS, chairman of the board, had previously served as both chairman and president. HERMAN F. KOCH and ALBERT E. CRANE, were named vice-presidents; ALOIS KAUFMANN becomes comptroller.

Retires Again

JOHN C. CARDWELL, vice-chairman of Citizens Bank in Sarasota, Florida, has retired—for the third time. MR. CARDWELL was active in banking in Kentucky and was once secretary of the Kentucky Bankers Association. Ill health forced his first retirement, and he moved to Florida to recuperate. When the Sarasota State Bank was founded in 1939, he was chosen as its president. He retired again in 1948. In February 1950 he came out of retirement again to become chairman of the board of the newly organized Citizens Bank in Sarasota. He later relinquished this position to become

T. H. Atkinson Hall C. Ross

vice-chairman to permit him more time outside the bank.

T. H. ATKINSON, general manager of The Royal Bank of Canada, Montreal, since 1949, has been elected vice-president and will continue as general manager. He is A.B.A. vice-president for Canada, and president of the Canadian Bankers Association.

HALL C. ROSS has been reelected president of the National Bank of San Mateo, California, for the 40th consecutive year.

MILES G. JEBB, formerly with the banking house of Lazard Brothers & Co. in London, has joined Harris Trust and Savings Bank, Chicago. MR. JEBB is the son of SIR GLADWYN JEBB, formerly head of the British delegation to the United Nations. He plans to spend about six months working for Harris Trust to observe

This new neon sign atop the City National Bank of Houston, Texas, is six stories high and is believed to contain the largest letters of any sign in Texas

operating methods of a large American commercial bank before returning to the banking business in England.

WILLIAM B. GLADNEY, treasurer of the A.B.A. in 1951 and 1952, has advanced to vice-chairman of Fidelity National Bank of Baton Rouge, Louisiana. He is a former president of the A.B.A. National Bank Division and a former member of its Executive Council. W. L. WARD, JR., succeeds MR. GLADNEY as president of the bank.

CHESTER R. DEWEY has retired as president of Grace National Bank, New York City. He reached the bank's retirement age last September 1, but had remained in office at the request of the board of directors. He is succeeded by RALPH S. STILLMAN, formerly executive vice-president. ANDREW B. SHEA, first vice-president of W. R. Grace & Co., was elected chairman of the board.

GREENWICH SAVINGS BANK, New York City, has opened a new branch office at 14th Street to replace one two blocks away. The new office features a 110-foot historical mural. A two-day celebration marked the opening.

Commercial National Bank, Peoria, Illinois, has five new vice-presidents: I. FRANK GREEN, RONALD E. JONES, GEORGE M. WASEN, ROBERT A. YOUNG, and ROBERT C. HUMPHREY. MR. HUMPHREY is also cashier.

ROBERT M. WALMSLEY, III, was elected a senior vice-president of The National Bank of Commerce in New Orleans. EADS POITEVENT and R. CHARLES STRAIN were named vice-presidents. MR. WALMSLEY and MR. POITEVENT are alumni of The Graduate School of Banking.

REX V. LENTZ, formerly in charge of new business development, public relations, and advertising for the Mercantile National Bank, Dallas, Texas, has opened his own management consultant service, Rex V. Lentz & Associates, with offices in the Fidelity Union Life Building, Dallas.

K. B. RAND is now vice-president of Security Bank, Searcy, Arkansas.

(CONTINUED ON PAGE 141)

BANKING

MARCH 1954

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

The OUTLOOK

and CONDITION OF BUSINESS

FOR the next few months the business outlook and the political outlook will be mingled so completely it will be hard to examine them separately.

Politics will be taking its cue from the business trend and business will be watching the political trend for signs and portents.

There is nothing particularly new in this. Even the tired ghost of the "Hoover depression" once more seems to be a candidate for some office or other, although this is not quite clear.

The condition of business and the condition of politics have been inseparable for years, especially since Government spending and economic policies became the chief factors in determining business activity.

Nor is it news that business abhors a political vacuum, and, if it begins to look as though a hiatus of some kind might occur between the executive and legislative branches, come November, it is conceivable that we would begin to hear through the land the disturbing sound of business marking time.

Business will not be allowed to forget either the "Hoover depression" or the fact that the final Truman gesture was an attempt to take over the nation's steel industry largely under the provisions of a United Nations treaty.

Thus far the debate between the political "sadists" and the political "hucksters" over whether we can talk ourselves into economic changes is an education in semantics more than economics, but the question is not entirely academic. Public sentiment can often be a bigger factor than statistics in the creation of a fear psychology, whether we are thinking of a full-scale recession, a happy-go-lucky rolling readjustment, or a teenie-weenie setback.

There is a superficial analogy between the situation today and that existing in 1929 and 1930, which appeals especially to seers who believe in ghosts. Actually the analogy is not there. It tends to vanish on closer scrutiny like the "little man upon the stair," who wasn't there again today and how we wish he'd go away!

A few contrasts between the business weather today and 25 years ago were listed by William A. Irwin, recently retired economist of the American Bankers Association, for a nationwide television audience. He pointed out that a quarter century ago:

(1) We were in the midst of a crazy stock market boom.

(2) People were loaded with mortgages practically payable on demand.

(3) There had been a worldwide collapse of basic commodity prices.

(4) Economic information, useful to businessmen, was very limited.

(5) We were having considerable banking trouble.

(6) A great European financial institution—Credit Anstalt—had collapsed, affecting all Europe and many other countries.

Whereas today:

(1) There is no stock market boom. Stocks are bought for cash, or near cash.

(2) The banking system was never so strong as today; bankers are on their toes to meet the needs of customers.

(3) Mortgages are *now amortized,* not payable on demand.

(4) Reserves of business are *very* high; profits *after* taxes are about $20 billion a year—less than 50 per cent paid out.

(5) Liquid assets of the American people are about $270-billion, *excluding* stock ownership and insurance reserves. They were $69-billion in 1929.

(6) We have billions of dollars in *unemployment reserves* ready to be paid out if needed; we had *none* in 1929.

(CONTINUED ON PAGE 144)

The Public's Attitude Toward Banks —From Time to Time and Place to Place

A.B.A. Public Relations Council Makes a Survey in Indianapolis, Syracuse, Spokane, Birmingham . . . Comparison with 1946 Survey . . . Public Unperturbed by Bankers in Washington, Interest Rate Changes

SINCE last summer the A.B.A. Public Relations Council has been making a continuing study of public impressions of banks and bankers in order to provide a "moving picture" of public opinion rather than a "snapshot."

The purpose of this new program is to find out what people are thinking about banks; what they know and don't know; what they like and don't like; what they want and don't want; also to what extent they use banks, and to what extent they want banks to continue as privately owned institutions.

This program represents the beginning of a concerted effort to establish the facts on attitudes, convictions, beliefs, and prejudices of people with respect to banking. It marks the beginning of a fact-finding and listening program designed to aid banks and to make it possible for them to place less reliance on guesswork, hunches, and so-called "intuitive knowledge." It is intended as a guide for intelligent bank planning of long-term public relations programs, and, perhaps, as a check or test of existing bank public relations policies and actions.

Surveys in Four Cities

Beginning last July, the Council sponsored public opinion surveys in four widely scattered cities: Indianapolis, Indiana; Syracuse, New York; Spokane, Washington; and Birmingham, Alabama. These surveys have been conducted by R. L. Polk & Company after careful preparation and extensive preliminary discussion with respect to (a) formulation of the questions, (b) selection of the samples, and (c) determination of the work procedure.

The four places indicated were selected as cities of reasonable size, centrally located, with diversity of industry and a fairly mixed population. Representative samples were taken in each city to insure coverage of all areas, including every type of neighborhood.

Personal interviews were used in each case, based on a sample of 200 adult householders (206 in Syracuse) in each city—eight interviews per block in an area of 25 different blocks.

Presenting the Results

In 1946, Opinion Research Corporation made a scientific survey for the Association of Reserve City Bankers. It was based primarily on a sample of 2,869 personal interviews with a representative cross-section of the voting population of the United States.

There was widespread banker interest in this survey. In fact, it is still remembered today as a unique effort in banking. For this reason its findings will be compared, wherever possible, with the results of the Council polls in Indianapolis, Syracuse, Spokane, and Birmingham.

As has been demonstrated in poll after poll, the greater a person's contact, familiarity, and knowledge in regard to banks and their services, the greater is his understanding of bank problems, and the more favorable is his attitude toward banks.

The results of the five Council surveys, conducted at different time intervals in four different geographical locations, and including a comparison with findings of the Reserve City Bankers survey in 1946, are presented in 10 subject areas:

- On Banker Influence
- On Bankers in Government
- On Government Regulation of Banks
- On Government Competition with Banks
- On Government Ownership of Banks
- On Interest Rates
- On Bank Service
- On Bank Friendliness
- On Banks as the Place for Savings
- On Bank Personnel Relations

An analysis of the first six parts appears on the following pages. The remaining parts of the survey will be discussed and analyzed in a later issue of BANKING.

The questions on banker influence, bankers in Government, and interest rates were not included in the survey until after it was made in Indianapolis.

ON BANKER INFLUENCE

(1) People don't believe that bankers have more influence on local business, wages, and prices than business and manufacturing executives or heads of large stores and public utilities.

The facts: Equal Influence—37% in Syracuse; 46.5% in Spokane; 32.5% in Birmingham. *More influence*—19% in Syracuse; 10.5% in Spokane; 20% in Birmingham. *Less influence*—21% in Syracuse; 21% in Spokane; 17.5% in Birmingham. *No opinion*—23% in Syracuse; 22% in Spokane; 30% in Birmingham.

(2) **People also don't seem to feel that bankers exert undue influence at the national level—in Washington.**

The facts: Approximately the same percentage relationships prevail as in the case of the preceding question on banker influence locally. One difference is that people know less about Washington than they do about the local situation with respect to bankers.

(3) **A great majority of people know of no changes in Government policy recently brought about by the influence of bankers.**

The facts: 91% in Syracuse; 89.5% in Spokane; 94% in Birmingham.

(4) **Of those who think they know of such changes, only a small minority believe that they will not benefit personally as a result.**

The facts: 22% in Syracuse; 4% in Spokane; 2.5% in Birmingham.

(5) **And still fewer people feel that the changes wrought by banker influence would be bad for the country.**

The facts: 11% in Syracuse; 19% in Spokane; and not even one person in Birmingham.

ON BANKERS IN GOVERNMENT

(1) **An overwhelming majority of people cannot name a single banker in Government.**

The facts: 94% in Syracuse; 97% in Spokane; 97.5% in Birmingham. Here are some of the names given by those who could or thought they could name bankers in Government service: "William Klink . . . Mr. Decker . . . Albert Merrill . . . Dorothy Neiberg . . . Mr. Rockefeller . . . George Humphrey . . . Winthrop Aldrich . . . Miss Cleary . . . Mr. Wilson . . . Mrs. Hobby . . . Mr. Dodge . . . C. E. Henry . . . Mr. Morgenthau . . . Mr. Snyder . . . and man on President's staff."

(2) **A preponderant majority of people cannot name a single important Government job held by a banker.**

The facts: 84% in Syracuse; 95% in Spokane; 97% in Birmingham. The answers of those who thought they could name such jobs, included many which were erroneous.

(3) **A great majority of people do not believe that there are more bankers in Washington jobs now than there were two years ago.**

The facts: As many as then—20% in Syracuse; 18.5% in Spokane; 12.5% in Birmingham. *More*—9% in Syracuse; 18.5% in Spokane; 20% in Birmingham. *Not as many*—11% in Syracuse; 6% in Spokane; 7.5% in Birmingham. *Don't know*—60% in Syracuse; 57% in Spokane; 57.5% in Birmingham.

(4) **A preponderant majority of people don't feel that there are too many bankers in Government service for the best interests of the country.**

The facts: 93% in Syracuse; 93% in Spokane; 94% in Birmingham.

ON GOVERNMENT REGULATION OF BANKS

(1) **The majority of people believe that banks are more strictly regulated than telephone companies, electric light and power companies, insurance companies, and finance companies.**

The facts: 65% in Indianapolis; 59% in Syracuse; 58.5% in Spokane; 70.5% in Birmingham.

This compares to 67% in the Reserve City Bankers survey.

ON GOVERNMENT COMPETITION WITH BANKS

(1) **The majority of people believe that it is "all right" for the Government to compete with banks.**

The facts: 68% in Indianapolis; 74% in Syracuse; 56% in Spokane; 72.5% in Birmingham. The proportion of those who expressed no opinion was low in each case, ranging from 3% in Indianapolis to 10% in Birmingham.

In the Reserve City Bankers survey 49% of the people did not feel that the Government, in making loans to individuals and business firms, was competing with banks; 16% expressed no opinion. More than half of the 35% who agreed that Government lending constitutes competition, felt it was "all right."

(2) **The majority of people think that they can obtain loans from the Government.**

The facts: 65% in Indianapolis; 65% in Syracuse; 61.5% in Spokane; 66% in Birmingham. Government loan sources mentioned most frequently are "Federal Hous-

INDIANAPOLIS: 87% say Government loans are OK

SPOKANE: 79.5% frown on Government owning banks

UNITED PRESS PHOTOS

ing Administration . . . GI loan . . . Veterans Administration." Others were "Federal Reserve Banks . . . HOLC . . . Reconstruction Finance Corporation."

(3) A preponderant majority of people believe it is "all right" for the Government to make loans.

The facts: 87% in Indianapolis; 83% in Syracuse; 79.5% in Spokane; 87.5% in Birmingham.

The percentage of those who expressed no opinion was 4% in Indianapolis; 3% in Syracuse; 3% in Spokane; 10% in Birmingham.

The Reserve City Bankers study showed that 55% and 53% of the people, respectively, believe the Government lends money to individuals and to business concerns, and that 75% of the people approve of Government loans to individuals and business firms, with 12% opposed and 13% of no opinion.

ON GOVERNMENT OWNERSHIP OF BANKS

(1) The majority of people believe that Government ownership of banks is not a good thing.

The facts: 60% in Indianapolis; 62% in Syracuse; 79.5% in Spokane; 45% in Birmingham.

Of the opinion that Government ownership "is a good thing" were 25% in Indianapolis; 18% in Syracuse; 8.5% in Spokane; 30.5% in Birmingham.

Those expressing "no opinion" or indicating that "it makes no difference" were 15% in Indianapolis; 20% in Syracuse; 12% in Spokane; 24.5% in Birmingham.

Comparable returns in the Reserve City Bankers survey were 63% opposed to Government ownership of banks, 22% in favor, and 15% with no opinion one way or the other.

Among the main reasons advanced for thinking that Government ownership of banks is desirable were "no more bank failures . . . security . . . protection . . . safety . . . superior management . . . better service . . . lower interest rates . . . better control . . . easier to borrow money . . . Government more lenient and capable . . . no favoritism." A significant percentage of respondents could think of no particular reason.

Reasons for thinking that Government ownership of banks is undesirable included "too much like socialism . . . communistic . . . Government owns enough already and has too much power . . . prefer free enterprise . . . dislike Government monopoly . . . Government should not be mixed up in banking . . . banks doing a good job . . . no change needed . . . would cut down on bank efficiency." As in the case of those opposing the idea, many people didn't seem to know just why they favor Government ownership of banks. Apparently they just do.

ON INTEREST RATES

(1) In two or three cities, a minority of people have read or heard about interest rate changes.

The facts: 57% in Syracuse; 35% in Spokane; 34% in Birmingham.

(2) A substantial proportion of the people who have read or heard about a change in interest rates don't know whether it means higher or lower rates.

The facts: 40% in Syracuse; 70.5% in Spokane; 67.5% in Birmingham. From 1% to 4.5% of the people queried in these three cities thought that interest rates were actually lower.

(3) The majority of these people either don't know or don't believe that the change in interest rates has been or will be profitable to banks.

The facts: 66% in Syracuse; 79% in Spokane; 75.5% in Birmingham.

Summing Up the Survey Results

What do these public opinion polls show? In general, the results are encouraging. Compared with the situation in 1946, banks have improved their position in some important areas of public relations, fallen behind in others. On balance, the Council studies show that banks enjoy public confidence and goodwill. But there is no basis whatever for complacency or letup in bank public relations efforts.

Confusion, misinformation, lack of information, and occasional hostility still persist. The "unfavorable minorities" with respect to many of the questions asked by the Council are uncomfortably big — too big! They are large enough to warrant a continuing bank effort—individually and through associations—to do a much better job of P-E-C in public relations — *Preparation, Education* and *Coordination.*

(CONTINUED ON PAGE 122)

SYRACUSE: Few can name any bankers in Government

BIRMINGHAM: Few can name any bankers in Government

UNITED PRESS PHOTOS

Washington

Progress Is Made in Budget Control . . . Economic Report Considered . . . Congress Is in a Tax-Cutting Mood . . . President Would Increase Foreign Military Aid Spending . . . The Thrifty Gain Recognition at Last . . . A.B.A. Protests HLBB Branch Regulation

LAWRENCE STAFFORD

PRESIDENT EISENHOWER has made it clear that, if he must be typed ideologically, he much prefers to be called a "middle-of-the-roader." He has recently given forth his proposed budget, his economic message, and other details which unwrap most of the "Eisenhower program" to public inspection.

From the fiscal and monetary viewpoint, an examination of the program — particularly so long as the appraisal is limited to the fiscal year 1955—gives this suggestion:

If Mr. Eisenhower is a "middle-roader," he at least is driving down the right-hand lane of that middle road.

In his annual message early in January the President proposed a wide range of welfare and spending programs (outlined in the February issue of BANKING). By themselves these raised substantial doubts as to the President's ultimate budgetary intentions, now set to rest as to the next year with time to analyze in detail not only the budget message but the economic message, with which it is so closely related.

Here is a brief summary of the highlights of the President's proposed fiscal year 1955 budget, together with comparative figures which show how the President's plans fit into the fiscal picture of the past several years.

Six-year Summary

At the right is a summary of budgets for the fiscal years 1950-1955, inclusive, with the figures in billions of dollars. These figures are actual through '53. Mr. Truman's 1954 estimates are given in parentheses, whereas the second 1954 estimate was made by the Eisenhower Administration.

What Ike Would Spend in Fiscal '55

In his budget for the fiscal year 1955, President Eisenhower estimates that the Federal Government will spend $65.6-billion. There follow some other figures which indicate the significance of this estimate in recent fiscal history:

It is $12.3-billion less than the previous Administration estimated the Government must spend during the present fiscal year.

It is $5.3-billion less than the new Administration estimated last August would be spent this year, after a diligent drive for economy which by that time had lopped $7-billion off the prospective outlays forecast by the previous Administration.

At $65.6-billion for '55 the prospective spending under the Eisenhower Administration will drop back to almost the same level—$65.4-billion—which Federal spending attained in fiscal 1952.

It will be $8.4-billion less than the spending reached in fiscal 1953. Fiscal '53 now becomes the post-Korean peak because the new Administration's economies forestalled a rise to a still higher level.

On the other hand, it is $26-billion higher than fiscal 1950 Federal spending.

For 1955 compared with 1954, Mr. Eisenhower proposes to cut spending by $5.332-billion. Of this $3.86-billion would come from U. S. defense spending, and $1.472-billion from all other nondefense objectives, widely distributed.

The President, however, proposes to increase foreign military aid spending by $75,000,000 to $4.275-billion, the largest in history, and along with atomic energy the only major category of spending for which the President proposes more be paid out in fiscal '55 than in '54.

Budget Summary (in billions)

Fiscal Year	*'50*	*'51*	*'52*	*'53*	*('54)*	*'54*	*'55*
New obligational authority	49.3	82.9	91.4	80.2	(71.8)	60.7	56.3
Expenditures	39.6	44.0	65.4	74.0	(77.9)	70.9	65.6
Receipts	36.5	47.5	61.4	64.6	(68.0)	67.6	62.7
Deficit or surplus	—3.1	+3.5	—4.0	—9.4	(—9.9)	—3.3	—2.9
Public debt *at end of fiscal year*				226.0		269.7	273.0

HARRIS & EWING

Rep. Taber *(left)*, chairman of the House Appropriations Committee, thought some trimming might be done on the President's budget. Rep. Cannon *(right)*, ranking minority member of the committee, said the document was designed to cover up Republican failure to carry out budget balancing "promises"

HARRIS & EWING

***Right*, Gov. Martin, chairman of the Federal Reserve Board, said that "humility" is one of the keys to policy; that there is no "static formula" for determining what the money supply should be**

Should Congress leave the Treasury with the $62.7-billion of revenues Mr. Eisenhower estimates, this total would figure as follows:

It would be $4.9-billion less than the new Administration now estimates will be collected in the current year, or the 12 months ending next June 30. This is the peak following Korea.

It would be about $1.9-billion under the $64.6-billion recorded in fiscal 1953.

It would be $1.3-billion more than was collected in fiscal 1952.

It would be $26.2-billion more than was collected in fiscal 1950, just before receipts began to rise under the stimulus of the Korean emergency inflation and higher rates of tax.

Reduces "COD Orders"

It is in the reduction in unexpended balances of appropriations that the Eisenhower Administration's achievement of fiscal control is most striking. These unexpended balances are what Treasury Secretary Humphrey likens to "COD orders," which must be paid when the delivery man comes with the goods.

Mr. Eisenhower proposes to hold down new "obligational authority," or new appropriations plus contracting authority, to $56.3-billion for the new fiscal year. This is the lowest total asked by a President since fiscal 1950, when Congress provided $49.3-billion.

On the other hand, by economies, contract cancellations, etc., the *unspent balances* of appropriations will drop to $54.1-billion at the end of fiscal 1955 from a high of $78.7-billion at the end of the fiscal year 1953, Mr. Eisenhower estimates.

Welfare Program Fails to Show

So the proposed budget as a whole discloses that, with the exception of foreign aid and atomic energy, the President has a firm intention to shrink both domestic and military spending. Thus the budget gives a subtle indication that, if driving down the "middle of the road," the President at least is keeping on its right-hand side.

This impression is further reinforced by another important phase of the budget. By and large there is a virtual absence in the budget of any appreciable increment of higher expense for the broad welfare program the President outlined in his first message of the year.

Economic Report Gives Clues

By inference, the President's economic report message gives a fur-

HARRIS & EWING

Senate Republican Leader Knowland *(seated at left)* and House Speaker Martin holding a joint press conference. With Congressional elections in the offing, oratorical blasts and political harsh words have increased in volume. Some old-time, two-fisted war horses developed suddenly sensitive skins and suggested a little more dignity in the name-calling

HARRIS & EWING

The Attorney General holds a press conference, too. In the enforcement of anti-trust laws, Mr. Brownell said, the Administration would try to promote competition and not attack industry

ther strong indication along this line.

This Economic Report has a history sometimes forgotten. Back in the late 30s and early 40s there was constant agitation to set up an annual "economic budget." The President would forecast, as with the Government budget, the prospective employment ahead. Then if he forecast a "deficit" in employment he would recommend public works and other Federal expenditures to forestall unemployment. A council of economic advisers would advise the President on business trends and recommend measures to maintain full employment.

A Congress weary of this agitation finally yielded in 1946, but cut out the commitment for an annual "economic budget" and Government spending. It passed a sort of preamble to the proposition including provision for the Council of Economic Advisers to recommend employment-sustaining measures, and a Congressional Joint Economic Committee to review the President's plans. Congress thought it was sidetracking the problem by passing the preamble and in effect, killing the proposition.

The official offspring of this leftwing agitation and legislative tiredness became the Council of Economic Advisers. Leftish groups nevertheless have always solemnly insisted the Federal Government by the Employment Act of 1946 committed itself to the maintenance of full employment. Mr. Truman agreed. Mr. Eisenhower also readily accepted this thesis.

As a consequence the Economic Report and its accompanying message have become by custom a sort of essay on economics, fused with a *de facto* annual political platform of the incumbent President, mixed with a prayer for good times.

It has become the custom for the Economic Report to be verbose and contradictory. It is full of promises of how the Government will come to the aid of all good people. Also, it always (regardless of Administration) conveys the comfortable impression that with correct-thinking and right-intentioned people running the Government, all will be well with the economy as a whole and perhaps with one's personal outlook for a job, wages, or profits.

And this report always duplicates and cuts across other Presidential messages, with relatively little new policy peculiar to the Economic Report or message itself.

President Varies Theme

Mr. Eisenhower's economic advisers departed in two important respects, however, from the line of their predecessors. In the first place they specifically recognized persons who save and invest money as also worthy of the Government's solicitude, advocating a stable money and tax reduction.

Second, the current Economic Advisers disavow the notion that Gov-

(CONTINUED ON PAGE 104)

HARRIS & EWING

. . . and Mrs. Hobby, Secretary of Health, Education and Welfare, meets with the press. With a considerable share of the Eisenhower program requiring activity in her department, she said that the President's plans fit the times and meet the needs of the people

FIND THE VICE-PRESIDENT WHO SUGGESTED INSTALLING A WONDERFUL KIDDIE KORNER RIGHT IN THE LOBBY——

"Banks—Yesterday and Now"

This title appeared recently on the daily column "Topics of the Times," appearing in The New York Times. *It is reprinted here with permission*

Banks—Yesterday and Now

Time was—and not so many years ago, either—when the average citizen took a pretty dim view of banks and banking. That this was so, it should be said, was to no small extent the fault of banks and bankers themselves. Banks used to be—and a few still are—grim and forbidding structures, where business was conducted in a sort of genteel gloom, atmospherically and personally. Behind the little barred windows were, more often than not, elderly gentlemen whose cordiality—and that may be an over-generous word to apply—reflected the size of the customer's account, and nothing less than a few hundred thousand on deposit could have inspired the suggestion of a smile. As for the officers and junior members of the firm—well, the man on the street rarely saw them and perhaps even more rarely thought seriously of speaking to them in a business way.

Enter a Human Touch

Now, that appraisal may be a bit too harsh. And yet the average bank for many years was, to the average citizen, an awesome if necessary instrument for the transacting of business—usually big business. But somewhere in the past quarter-century—perhaps in the wake of the depression—banks began to grow human, even pleasant, and started to woo the little man, the man who had been in awe of banks and bankers. It is possible that this movement began in medium-sized towns or in small towns where people know each other by their first names, and spread to big towns. At any rate, the results have been spectacular.

The Wise Use of Credit

The movement to "humanize" banks, of course, received a big push during the war, when more and more women were employed to do work previously performed by men. Also more and more "little people" found themselves in need of personal loans, as taxes became heavier and as the institution of instalment buying broke down the previously long-held concept that there was something almost morally wrong about being in debt. All sorts of people began to discover that the intelligent use of credit could be extremely helpful—and this idea was encouraged to grow by forward-looking banks that saw a great future in aiding large numbers of small depositors and borrowers to meet their financial problems.

Scene Brightened by Girls

Today's banks present a picture startlingly different from that offered by the banks of yesterday. For the most part their officers are accessible and are known to a surprisingly large number of small depositors whom even vice-presidents can call by their first names. Some banks even have women—not unattractive, either—as personal loan interviewers. And, of course, at many cashiers' windows—most of which now are bar-less — pretty young women greet the customer with a smile regardless of the size of his account. Banks today make personal loans that few if any banks perhaps a quarter of a century ago would have considered. For example, not long ago a young man moved to a large city to embark on a new job, and appealed to a bank for help in obtaining funds sufficient to move his family to the new location, some distance from his former home. He had no collateral—only a bright future and a creditable past. One bank did turn down his petition — in a friendly way — but another studied his problem and decided to invest in his future. He got the loan. In a not-too-distant past he'd have been regarded as a poor risk by any bank.

A Task Not Too Hard

In view of the public's increasing acceptance of banks and bankers as friendly counselors it is indeed surprising to discover that banks feel it necessary to embark on an elaborate public relations program to make people more conscious of their place in the community and the national scene. It may well be that the role of banks in keeping the nation's financial arteries functioning properly is not as well understood by the public as it might be. But in most communities today's banks and bankers have "sold" themselves and their services at the local level. It may be that the local banker has not yet established himself as firmly as a source of help and counsel as has the family doctor and it may be also that by the nature of his services he never will, but be is making rapid strides in that direction. Indeed it is likely that the New York banks, launching their goodwill building program, will find their program easier to achieve than they think.

METHODS and IDEAS

Operating Procedures

This department is edited by JOHN L. COOLEY *of* BANKING'S *staff.*

Bank Report Introduces Average Figures

AN innovation in the 1953 report of the GIRARD TRUST CORN EXCHANGE BANK, Philadelphia, is an *average statement* for the entire year. It shows the average of every item in the balance sheet for every business day; a similar average covering 1952 is included for comparative purposes.

The traditional year-end statements are also published in the report.

"Some day," says the bank, "we would like to see it become the general practice of banks to publish average figures in annual reports. Averages for an entire year are much more significant than year-end figures, especially in large banks where deposits, loans and other items vary by millions of dollars from day to day."

The bank also believes that this will help financial editors and analysts to get a clearer picture of the year-to-year changes.

TV Eye to Watch for Holdups

WHEN it comes to applying electronics to bank operations, you can just about write your own ticket.

For instance, in Boston recently there was a full-scale preview of the new TV and "brain machine" system being installed by The Provident Institution for Savings. A feature of the featureful evening was a demonstration of how television may be able to forestall bank holdups. A roving camera will relay to screens in remote parts of the bank what's going on at the public windows and near the vaults. When, as, and if there's trouble, someone who isn't being covered by a gun can flash the alarm.

The bank's application of electronics to its operations (reported in BANKING, October 1953) was shown to some 400 members of the National Association of Bank Auditors and Comptrollers Boston Conference and the Massachusetts Association of Savings Bank Auditors and Comptrollers. The demonstration, held in a hotel, was provided by the bank's auditor, Leonard P. Chamberlain, aided by technical experts from Radio Corporation of America, International Business Machines Corporation, and Burroughs Corporation.

The guests saw cash balance cards and depositors' signatures flashed by television to tellers' windows. They were also shown the recording of both deposits and withdrawals on the bank's records by automatic accounting machines while the teller was waiting on the customer.

Lending in a More Normal Market

THE president of a medium-sized commercial bank repeated the familiar observation, "That customer has done well during these times; but what will he do when the going gets rough?"

"I'm wondering," commented this banker, "if we should turn the same

Bankers attending the Provident Institution for Savings' electronics preview in Boston saw this simulated holdup—and its image on the screen at the right. Similar screens to be placed in remote sections of the bank will report, via TV, any unusual scenes at the tellers windows. Provident employees were the actors for the demonstration

spotlight on ourselves. Most of us have also made a fine showing in recent years, but how long has it been since we've taken a critical look at our loan policy? It may take some doing to make and collect our share of loans in a more normal market."

The speaker, Russell C. Weatherwax, is president of the Oglesby-Barnitz Bank & Trust Company, Middletown, Ohio. This institution's thinking toward a sound, constructive lending policy for that kind of market has been practical, and thanks to a talk by Mr. Weatherwax at the A.B.A. National Credit Conference in Chicago, other banks can share the viewpoints developed.

The Oglesby-Barnitz decided to look at its money inventory and draft a realistic maturity schedule of the loan account; to valuate the resulting projected loan income in the earnings outlook; to study the community loan market; and to ask whether its own organization can make and collect the bank's share of loans in a more normal market.

Money Inventory. Inasmuch as about 93 cents of every loan dollar belongs to the depositors, the bank first determined what kind of money it was using.

"Like most banks," says Mr. Weatherwax, "over 50 percent of our demand deposits belongs to a small percentage of accounts. Much of our growth has been because of the prosperity of those businesses and individuals. Obviously, any fluctuations in their affairs will be reflected in their accounts. We therefore think it important to study their affairs in an effort to find out what can affect their balances. We're trying to get answers to questions like these: What types of businesses are represented? What is the outlook in the particular business? Has the management had, or does it remember, experience in a normal market?"

Large time deposit accounts are also being studied for an answer to this question: "Is this money waiting for an investment opportunity?" Somebody in the bank is trying to get close enough to these customers to learn *their* future thinking.

Realistic Maturity Schedule. The bank drafted an interesting loan maturity schedule based on *when it thinks a loan will be paid,* not what the note reads. Some loans for working capital purposes are being reduced by earnings because volume has kept working capital requirements high. If business volume falls off, lower inventory and accounts receivable will likely pay out these loans ahead of schedule; less turnover in real estate could slow down payoffs in the mortgage portfolio; a different automobile market or employment picture can affect the instalment loan outstandings. "Our efforts have been influenced by a desire to have a better idea of what's ahead for the loans on our books, and the flow in and out of the account," says Mr. Weatherwax.

Earnings. Given the maturity schedule and a realization of factors that may affect the market for new loans, a gross earnings forecast was possible. This led to a look at expenses, which were reviewed in three categories: fixed, semicontrollable, and controllable. The ways in which expenses have increased are being reviewed. "It's interesting," notes Mr. Weatherwax, "to get some idea of what could be done in the expense account, if necessary, under different loan income conditions."

Market Analysis. The bank arrived at a fair idea of the volume of new loans necessary to reach certain operating results, and set up major marketing objectives.

"A sound way to maintain or increase the volume of any business is to fill a need," Mr. Weatherwax points out. "It's therefore necessary to find out what the need is. We think it important to get the facts about our community, our customers, and potential customers. We must know what types of business are in our community today so that we can plan and build for the future."

Organization. "The quality of our product," says this banker, "depends on our organization.

"Many bank people today never loaned or collected money in highly competitive markets. We think it will be advisable to develop an organization so coordinated that maximum attention is devoted to selling the use of our money and collecting it. We must become increasingly aware of the things that naturally follow competitive markets: more work, more planning, more management."

A Bank Operations Clinic

BANKING under the new Uniform Commercial Code, which becomes effective in Pennsylvania on July 1, was discussed at the 1954 Bank Operations Clinic held in Philadelphia under joint sponsorship of the Pennsylvania Bankers Association and the Wharton School of Finance and Commerce.

Nearly 500 bankers heard a panel report on the three sections of the code that affect loan policies, operating procedures and legal forms. With John Y. Scott, PBA legislative counsel, as moderator, the panel comprised: James V. Vergari, counsel and assistant secretary, Federal Reserve Bank of Philadelphia; Carl Funk, attorney, Philadelphia; James H. Kennedy, vice-president and cashier, The Philadelphia National Bank; Howard T. Hardie, vice-president and cashier, The Union National Bank of Pittsburgh; and Gene D. Smith, the State's secretary.

(CONTINUED ON PAGE 115)

Commercial Code paneleers at PBA clinic: Messrs. Smith, Vergari, Funk, Scott, Kennedy and Hardie

Public Relations

The 1953 Bank Reports

A BROWSE through nearly 100 bank reports for last year emphasizes the sharp difference of opinion as to whether these pamphlets should be dressed in public relations clothes—color, charts, pictures, etc.—or remain loyal to the old wardrobe of facts and figures, without frills.

Somewhat more than half the reports seen by BANKING were in the so-called modern manner, at least to the extent of using a little color and a few charts. Others, of course, went to much greater lengths in dramatizing 1953. On the other hand, a substantial number of banks told their stockholders the year's story in plain type, and let it go at that.

Banks that give their annual reports a big public relations assignment, produced some interesting pamphlets for 1953. There was an abundance of the now-familiar features: sharp covers, good photography and format, excellent use of color; coverage of the year's activities in pictures, statistics, and narrative; emphasis on the staff.

"The Bank at Work" was a not infrequent theme, developed in various ways, usually with the aid of photographs.

The "How-to-Use-the-Bank" idea appeared in several reports. It was usually expressed in a listing and brief description of the services.

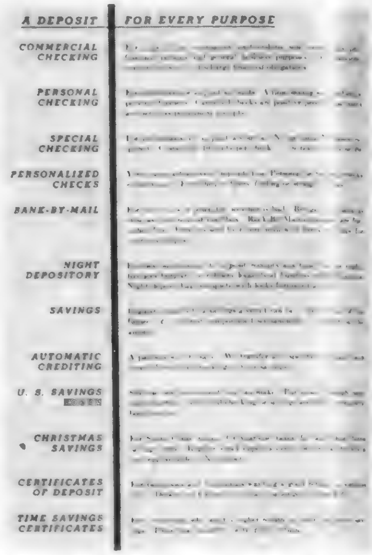
Miscellaneous features included: reproductions of successful advertisements; marginal drawings to illustrate departmental activities; picture maps of branch locations; graphic layouts of the bank's interior, particularly if the building was new; news photos of bank officers talking to customers in the field; promotion of regional and community interests (one bank dedicated its report to cotton).

Community Sharing in Bank's Celebration

THE TRENTON (N. J.) BANKING COMPANY reaches its 150th anniversary this year, and the celebration plans provide a series of events that will interest and benefit the entire community.

The observance, extending throughout 1954, will feature a March essay contest for high school seniors, with a $500 cash first prize to be applied toward college tuition; a women's finance forum in April; camp vacations for underprivileged children in July; a businessmen's economic forum next fall; and a symphony concert in December, the month of the bank's founding in 1804.

"Through seven wars, during good times and difficult years," says President Sydney G. Stevens, "The Trenton Banking Company has offered every banking service that can be helpful to individuals, families and businesses in the Trenton area. For our 150th anniversary year celebration, however, we do not desire so much to emphasize the historical past, but to benefit the whole community through a special program of activities that will interest, stimulate and inform."

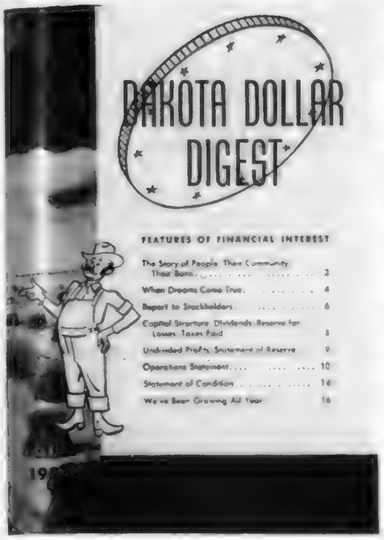

A DEPOSIT | FOR EVERY PURPOSE
COMMERCIAL CHECKING
PERSONAL CHECKING
SPECIAL CHECKING
PERSONALIZED CHECKS
BANK-BY-MAIL
NIGHT DEPOSITORY
SAVINGS
AUTOMATIC CREDITING
U. S. SAVINGS BONDS
CHRISTMAS SAVINGS
CERTIFICATES OF DEPOSIT
TIME SAVINGS CERTIFICATES

A page from the report of The First National Exchange Bank of Roanoke, Va. The bank's lending and other services were similarly displayed

Business Getter

THE OLD FREEPORT BANK of Freeport, Pennsylvania, reports "very satisfactory" results from a lucky ticket promotion.

"Through its correspondent banks," says the caption to this New York bank report picture, "Bankers Trust Company plays an important part in bringing the nation's food to market. Here, *left to right*, William Wood Prince, president of Union Stockyards & Transit Co., Chicago, confers with Vice-presidents Roy A. Dye and S. T. Mason Frey of the Banking Department"



This South Dakota bank's report simulated a magazine

One ticket was given for each Christmas Savings Club account opened in a five-week period. A ticket also went with each deposit in a savings, checking or certificate of deposit account. Household appliances were awarded as prizes to the holders of the tickets drawn on the last day.

While the plan was in operation, Christmas accounts increased 229, new checking accounts 138, and regular savings accounts 120. The bank also added about $50,000 in its three-year 2½ percent C/Ds.

Display Emphasizes Bank's Role

A SHOWCASE and some imagination enabled the FIRST NATIONAL BANK AND TRUST COMPANY, New Haven, Connecticut, to demonstrate how each citizen is affected by the bank's activities.

The First's display was one of a series prepared by local business in cooperation with the chamber of commerce for exhibition in the railroad station. In the center was a revolving bank, around which were representations of industry, business, institutions and individuals. Municipalities, for example, were symbolized by a miniature firehouse, utilities by a telephone, transportation by railroad cars.

Copy printed on small billboards pointed out the cycles in the flow of money, with emphasis on the benefit to the resident when business and municipalities receive assistance from the bank.

A folder handed to viewers presented the bank as "the hub of the community," and explained banking services.

A Bank's Newsletter

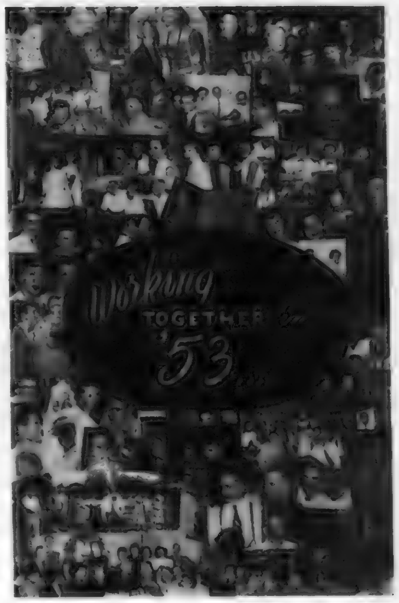
FROM the POTTER COUNTY BANK of Gettysburg, South Dakota, comes a file of the monthly *Newsletter*, a sprightly little sheet that has been circulating in the community for about a year.

It's a simple job, and probably not too expensive to publish; but the two pages are well supplied with that highly valuable but often elusive commodity, "reader interest."

A feature of each issue is the "Picture of the Month"—a person, a hospital, a wheat crop, a pacer, a stock show. There's a story about it, too. "Timely Tips" is a column of information useful to farmers. Weather and crop news, a calendar of coming events, recipes, insurance suggestions, jokes, personals, a "swap or sell" column appear regularly. So does "Just a Little Chat with Your Banker." This one comments on a variety of things, in the spirit of its signature, "Your Friendly Banker."

The "NO-Men"

IN a *Printer's Ink* article on the challenge that confronts advertising—the emphasis shift from mass production to mass consumption—John P. Cunningham, executive vice-president of Cunningham & Walsh, Inc., says:



The covers of the Lincoln Rochester Trust Company report introduce the "team" which, in the words of President Raymond N. Ball, "has produced top quality banking in the 19 communities we serve." Here is Cover I

"We must reverse the thinking of the NO-men—the businessmen who do not understand the true force of advertising.

"We must change much of our own thinking—particularly the herd thinking along Madison Avenue, Michigan Boulevard, and points west.

(CONTINUED ON PAGE 120)

In the center of the New Haven bank's showcase display was a revolving bank. The legend read: "Wherever You Turn You'll Find the Friendly First"

Our Investment Abroad II

HERBERT BRATTER

The urgency of our needs has caused large corporations to take chances on the hazards and harassments encountered by investors in many countries. But sometimes the barriers overshadow the prospects of fair profits

DESPITE numerous risks, American private capital has been flowing abroad in substantial volume. The outflow, of course, has fallen far short of the desires of some less-developed countries, and, too, far short of supplying the outside world with all the dollars it would like to have for spending here on miscellaneous goods and services. Those who see American foreign *aid* tapering off and who ask for the substitution of *trade*, include in the latter term the private investment of dollars in foreign countries. Doubtless American capital would flow out more readily, but for the hazards. It is mainly the pressing need for supplies of foreign raw materials which keeps the outflow as large as it has been.

What are the hazards that give American investors pause? They are many and varied. Fear of war, unstable political and social conditions, economic uncertainties, unbalanced international payments, and currency inconvertibility affecting the transfer of earnings are some of the more obvious deterrents to investment. The memory of past losses through bond defaults and expropriations, nationalization of business enterprises and the setting up of competitive government enterprises sometimes frightens off capital. More specific barriers here and there are: unfavorable legal and political climates, government control over business, discrimination against foreign capital, limitation of foreign ownership to specified percentages, limitations on the employment of nonnational personnel, discriminatory tax treatment added to the double taxation of profits by the foreign and the U.S. governments, and the like.

Viewpoint South of the Border

COINCIDENT with the appearance of this article there is convening at Caracas, Venezuela, the Tenth Inter-American Conference, the U. S. delegation including Secretary of State Dulles, Under Secretary Bedell Smith and members of the Congress. Economic and financial affairs are on the agenda, and the monthlong meeting will afford opportunity for the airing of the views of all participants.

While the Latin-American countries realize the advantages they derive from foreign investment in development activities, they have been manifesting a strong tendency to emphasize the desirability of American Government capital's being advanced not only through the Export-Import Bank and the World Bank but also, they urge, through new international development institutions. In Mexico, for instance, the proposal for an Inter-American Bank, dating back to the 1880s, has been dusted off again. An international development corporation backed by U. S. money is viewed as a fine idea in Latin America.

The U. S. Government, on the other hand, while recognizing the desirability of public financing for "social overhead" purposes—ports, transportation, health, etc. — feels that the main development job must be done with private money and private know-how.

Last month's article of this series indicated the extent of the job private American capital has been doing through direct investment abroad. This development has taken place despite serious obstacles and deterrents peculiar to risk-taking under a foreign flag. The nature of the hazards facing the international investor is revealed in the accompanying article, which is the second of four.

The recent report of the Commission on Foreign Economic policy contains a long chapter devoted to the importance of American investment abroad, in the course of which the document states that: "The United States Government should make clear that primary reliance must be placed on private investment to undertake the job of assisting in economic development abroad."

A certain amount of American investment abroad will occur out of necessity. How rocky its road may be, at times, Dr. Milton Eisenhower's mission to South America last year discovered. Their findings were underscored soon afterwards by some frank remarks of Brazil's President Vargas concerning foreign investments (see page 49).

Turkey, on the other hand, seems to be awake to the need to provide outside capital with reassurance and, in January, passed a more liberal law designed to encourage foreign investors. That law needs to be emulated in many other countries.

In some countries certain fields are reserved to nationals, examples being aviation, trucking, bus transportation, beverage manufacture, etc.

Foreign enterprises in Latin America commonly are pressed to make special contributions to local "charities," civic, and even personal activities. Again they are sometimes subjected to extraordinary fines, punitive taxes, and discriminatory labor laws. Potential investors seeking to avoid such headaches by making royalty arrangements instead of setting up their own branch plants have sometimes found obstacles in the way of remitting royalties.

In various countries proposed investments are screened with a view to keeping down competition with native businesses, the latter often being consulted in the screening process. In Mexico there is the "doctrine of saturation of industry." Under it the government may close the gates to new investment, and in the past has done so. Various countries have a "51 percent law." Foreign investments covered by this law must allot 51 percent ownership to native partners, whether or not they are needed.

"Legal Fees"

In a nearby country a few years ago the writer encountered the case of an American firm which had been awarded a lumbering concession. Its heavy equipment had arrived from the States months earlier, but the company was unable to proceed with operations for lack of a presidential O.K., which somehow was not forthcoming. After repeated inquiry the company learned from the minister of finance in person that it might expedite the license to hire a certain local lawyer who knew his way around. This advice was followed and, for an exorbitant "legal fee" paid to the finance minister's friend, the license was obtained forthwith.

Often the foreign investor must pay regular graft to local functionaries. In some Latin American countries government officials simply ignore their phone and utility bills. Often, gadgets to by-pass electric meters are sold openly to the public.

Where governments are politically unstable it means that foreign firms have to make fresh contacts with new official personnel and face the uncertainties and insecurity of

The Randall Report

"A MILESTONE in the development of this nation's foreign economic policy" is what Samuel C. Waugh calls the report of the Randall Commission. Mr. Waugh, a former banker and president of the Trust Division, American Bankers Association, and now Assistant Secretary of State for Economic Affairs, discussed the Randall report and U. S. foreign economic policy in general before the recent Mid-Winter Trust Conference of the A. B. A.

"The Randall Report is bound together by a unifying philosophy," said Mr. Waugh. "The commission observes that ours is one of the most dynamic, resilient, and creative economies in the world. The strength of our economy, the commission says, has been due to three fundamental principles: (1) the freest possible opportunity for individuals to develop their talents and exercise their initiative; (2) the maintenance of a competitive society; and (3) the blessing of a broad, free, internal market for our goods and services. If these factors are the sources of our strength, we would do well to adhere faithfully to them as we play our part in the international economy. This faith dominates the report and motivates many of its recommendations.

"With this philosophy as its background, the report commends a series of policies for the United States which, taken all together, might move all nations slowly to a world in which international trade stands at high levels, currencies are readily interchangeable among nations, and governmental interference in international trade and payments is at a minimum.

"The Randall Commission and its report have heightened my appreciation of the enormous significance of the economic leadership of the United States in the free world."

NATIONAL PARK SERVICE

The Commission on Foreign Economic Policy, better known as the Randall Commission, is made up of 10 members of Congress—six Republicans and four Democrats—and seven men from various other fields. In the foreground in the photograph are Chairman Clarence B. Randall (left) and President Eisenhower. In the row immediately behind them are, left to right, Jesse W. Tapp, John H. Williams, Rep. John M. Vorys, David J. McDonald, John Hay Whitney, and Sen. Prescott Bush. In the back row, left to right, are Rep. Laurie C. Battle, Rep. Jere Cooper, Cola G. Parker, Sen. Walter F. George, Rep. Daniel A. Reed, Sen. Eugene D. Millikin, Vice-chairman Lamar Fleming, Jr., and Sen. Harry F. Byrd. Not in the picture: Sen. Bourke B. Hickenlooper and Rep. Richard M. Simpson

Left, Paris branch of The Guaranty Trust Company of New York

Right, Buenos Aires branch of The National City Bank of New York

Left, Havana branch of The First National Bank of Boston

Left, Manila branch of Bank of America

changing laws and regulations—all of which adds to the costs and worries of doing business. While loss of property and life in times of government changeover is generally not too great a risk, foreign firms have at times been penalized because their local managers or associates were out of favor with the incoming regime.

The fact that labor is national while ownership is foreign often causes foreign investments to be made a whipping boy. In many countries foreign public utilities know this only too well. Competing locally owned utilities get favored treatment. The foreign company is constantly squeezed between higher operating costs — especially wages and worker benefits — and too-low utility service rates. In its recent report to the President, the Milton Eisenhower Mission to South America noted that in some countries "'creeping expropriation,' inadequate opportunities to make reasonable returns due to government intervention, inability to transfer earnings into dollars are actively discouraging."

Not infrequently foreign concerns must compete with local companies which are exempt from taxes or other burdens which the foreigner must bear. Investors also complain of customs difficulties such as hard-to-interpret tariff classifications and heavy fines for technical violations, or even obvious typographical slips. These burden the importation of necessary equipment and raw materials.

Whereas in underdeveloped countries the low stage of economic life is itself a hindrance to investment of capital in more advanced industries, in developed Europe the inflow of investment dollars is hampered by the political uncertainty, the unattractive yields, investment screening, government controls, government monopolies, cartelization of industry, opposition of established business interests, European "marriage" to old-fashioned high-cost manufacturing and merchandising methods, coupled with local fears that introduction of American practices may cause industrial and labor dislocation.

In the Near East and Africa, in addition to impediments already mentioned, extreme nationalism has scared investors off, as in Iran; and racial tensions have done the same, as in South Africa, where official figures reveal the falling off in foreign investment. In Asia, fear of war and civil disturbance and official policy statements and regulations have not infrequently served as storm signals for the prospective investor. Witness, for example, last September's Indian parliamentary debate in which is was charged that foreign capital was contributing to India's instability. The investor in

India must contend with tax difficulties, which are complicated by the absence of a treaty on double taxation; must agree to employ and train Indians wherever practicable; must admit domestic capital into partnership; and must, in cases of an assembly nature, agree to increase output continuously.

In some countries the rules governing investment can be learned only by negotiation with the government. Government policies as to investment keep changing. In colonial areas, with varying degrees of control exercised by the home governments, potential investors have two foreign governments to deal with, coupled at times with opposition from manufacturers in the metropolitan country concerned.

Economic, Political Factors

In addition to an untrained labor supply, investment expansion in some countries is hampered by the limited natural resources, as in Greece. Political instability and a large Communist element tend to chill investor enthusiasm, as in France. Statements of influential leaders that foreign investment is not needed or should be nationalized in certain instances have a dampening effect, as in Brazil. High taxes on business, even where not discriminating against the foreigner, pose a hurdle, as in various European countries. If net earnings from foreign investment are not going to compensate for the added risks and trouble, money won't emigrate from the U. S. A. Only recently an American film announced the sale of its properties in Australia because it could make better use of the money at home. Australian law requiring wage adjustments every three months handicaps business.

Banks operating branches abroad encounter special problems. One large American bank lists among the problems arising in its foreign operations: capital requirements, corporate and banking laws, credit controls, reserve requirements and local banking practices; also discrimination at times against American banks; nonavailability of experienced staff; laws, regulations, and practices affecting personnel relations, including labor and social security laws; taxes and exchange difficulties, including transfer of earnings and eventual repatriation

(CONTINUED ON PAGE 79)

Cordiality to Foreign Capital

PRESIDENT VARGAS of Brazil last December warned private power companies operating in his country—mostly U. S.- and Canada-controlled—that they will be expropriated if they impede his ambitious national electrification plans. He claimed, according to an Associated Press dispatch in *The Wall Street Journal*, that "up to a certain point" he was being "sabotaged by the contrary interests of private companies which already have profited much in Brazil."

He declared further: "We either are going to create the funds necessary to establish a national power industry on a solid basis, or we shall have to expropriate the concerns which are not producing the result that we desire."

A short time before President Vargas' statement, Brazilian Finance Minister Aranha, in an interview with the *New York Times*, said: "We have depended too much on outside aid. That's why we have not made more progress. We must learn to stand on our own feet."

AMERICAN FOOTWEAR and shoemaking machinery are well known all over the world. The General Shoe Corporation, for instance, through its General Shoe Intercontinental Company, sells shoes and other products in 22 foreign countries. Its brand-name shoes are manufactured under license by foreign manufacturers. In addition, General Shoe has ownership interests in factories in Peru, Mexico, and Israel. The photo shows the interior of General Shoe's affiliate in Tokyo

PHILCO INTERNATIONAL CORPORATION has wholly owned branch factories in Brazil, Canada, and Colombia. The home office and its Canadian subsidiary jointly own the British manufacturing subsidiary at Chigwell, Essex, shown in the picture. The plant in Mexico is 56 percent Philco-owned. Philco is only one of various similar firms with important investments abroad. Its foreign plants confine themselves to radio and TV sets

Measuring Your Market

How to Make a Geographic Analysis of Bank Customers

This is the first of a series of articles by Mr. Wood *on the general subject of market analysis. As president of the A. J. Wood & Company of Philadelphia, the author has had wide experience in market, opinion, and attitude research.*

A. J. WOOD

Many of the major policy decisions which face banking executives today can be made with more confidence if they are based on factual data rather than on intuitive estimates. Every banker should take advantage of his own natural resources—the wealth of data available in his own files as well as that supplied by outside sources such as the Government. Merging these two types of data will provide valuable information which is otherwise extremely difficult and costly to get—and the compilation and combination of internal and external data can be done by the bank's own staff at nominal expense.

One basic class of information which can be developed within the bank's own framework is that which deals with the geographic location of the customers of the bank. There are many decisions which can be made more advantageously and with more confidence if the policymakers have complete data concerning *where* the bank's customers come from, what *economic* groups in the trading area are furnishing customers for the bank, what sectors of the areas furnish less than their share of customers, and what are the *factors involved* which underlie the geographic distribution of customers. To illustrate, do customers come in greater number from areas where there are more efficient public transportation arteries?

Geographical Distribution

Obviously, by knowing the geographic distribution of its customers, the bank can provide for more efficient solicitation of new business whether by mail or by personal contact. It can make better decisions as to the necessity for establishment of branches and as to the possible location of branches.

Data to assist in these decisions can be compiled with little difficulty within the bank itself, since the address of every customer is readily available. It is possible to go through the files and to plot on a map the location of every individual or business which deals with the bank. However, even though this is possible, it is not the most practical approach to compiling the desired information.

It is not necessary to investigate every individual name on hand in order to analyze the distribution of customers. Instead, it is practical and economical to select a *sample* of the bank's customers and to use this sample as a basis for analysis. The principles of sampling, as a research technique, have been well established in all scientific fields. Reliable results can readily be obtained with some understanding of the basic principles involved. It is worth while to digress briefly into the techniques of sampling in order to assure that those who attempt to use this method will not run into unexpected difficulties which distort their results.

Sampling

Sampling is the procedure by which we attempt to analyze a sub part and to judge the characteristics of the whole from those of the sub part. In other words, we expect the part to be representative of the whole. This expectation will be true if the sample is selected according to certain statistical principles. Theoretically, what is desired is a selection which is completely random—not haphazard, but wherein every individual or every group of individuals has as much chance of being selected as any other individual or group. Another way of phrasing this is to say that regardless of an individual's characteristics, he has just as much chance of being selected as any other individual. Regardless of whether he lives in the suburbs or in the city, close to the bank or far, regardless of whether his account is big or small, or whether he has been a customer for a long time or a short time, he still has the opportunity of being included.

Obviously, if the method of selecting names was such that certain types of people were more likely to be included, we would have too high a proportion of those types; and, therefore, our sample would not be representative. How can we insure that we have representativeness?

If every customer of the bank is listed on a card, and these cards are shuffled *thoroughly*, a handful of the cards will constitute a random sample. This is not too practical a method because it requires complete disarrangement of existing files should the files be shuffled or a complete recopying of all names onto special cards. However, another system can be used which is just as accurate and physically more simple.

It is possible to assign consecutive numbers to all names in the files. Then these numbers can be listed on small cards, which, in turn, could be shuffled, and a sample selection drawn. Then it is possible to go back and identify the individuals who correspond to the selected numbers. This is an accurate procedure which has the handicap of being lengthly and tedious.

Another Approach

However, there is still another approach for sample selection which does not meet all of the most rigorous statistical requirements, but for practical application among customers of a bank it proves to be eminently satisfactory. This is the method of systematic selection in

which a selection is made of every nth name in the files. For example, if there are 40,000 names on file and a sample of 2,500 is desired (this is a satisfactory sample size for most geographic analysis situations), then it is necessary to select one out of 16 names. This can be done by either counting or by measuring the file space taken up by 16 names and taking out names at this fixed interval. This type of procedure is the simplest and most economical. It is, therefore, the step number one in the start of a geographic analysis.

The second major step in our geographic analysis is to locate on a map the locations of the selected sample. Simultaneously, a count should be made of the number of customers falling into various sections of the area. In other words, the complete trading area must be divided into sections, and it is recommended that these sections conform to generally recognized subdivisions of the locale.

It is most helpful if the boundaries of the sections agree with census subdivisions so that the wealth of information available from the Bureau of the Census can be utilized. For example, in cities where census tract information is available (the local Department of Commerce Field Office can give you full information about census tract data), the areas should consist of small groups of tracts. In this way, all of the Census Bureau information concerning the tracts is available for your analysis.

Homogeneity Desirable

In the grouping of census tracts, or whatever other segments are used, it is advisable to make the individual sections as homogeneous as possible with respect to the economic status of the individuals who reside therein. Figure 1 shows a map subdivided along census tract lines in accordance with these principles.

If it turns out that 20 percent, for example, of the selected sample names fall in a specific area, we can project this proportion and say that within a small percentage of possible error 20 percent of all of the bank's customers come from that area. Thus, the classification of the sample of names by geographic locale furnishes the estimates of the division of all of the bank's customers by locale.

Obviously, the information so far obtained is limited in its utility. If a given area has a large share of the total population, then it could be expected that a large proportion of the bank's customers could come from this area. The fact that each area is not equal in population will tend to make the figures not comparable because they are all on a varying basis. To remedy this it is simple to put the number of accounts and the number of customers per area on a per capita or a per family basis. The distribution of customers of our hypothetical bank based on the number of families in each area is illustrated in Figure 1. Here it is evident that some areas are much more thoroughly covered than others. Subdivision A contains 20 percent of the bank's customers even though that subdivision contains only 10 percent of the total families in the city. Evidently the bank has done a good job in this area. Conversely, other areas are weaker in coverage than would be expected on the basis of the population of the area.

Variations Factors

The next step in the geographic analysis is to seek out the factors which influence the variations from area to area. Some of these variations obviously will occur as the distance from the bank gets greater. We can expect that coverage diminishes as people live further and further from the bank. This is an obvious conclusion, but in actual practice, in an analysis of this type, it will be found that certain areas prove to be exception to this rule. Areas close by may not have a very high share of customers, while some areas at a distance have a higher than expected share. These are situations which warrant further scrutiny and examination.

Similarly, as the location of customers gets closer to competing banks, the density of customer coverage can be expected to decrease since competition gets its share of the business. Also, along main traffic arteries coverage of customers can be expected to be better than off the beaten track where it is more difficult for the people to come to the bank.

However, some information is not as obvious as these examples indicated above. For instance, higher income areas can be expected to furnish a higher proportion of customers for any bank than the areas with individuals of lower economic position. It is practical to add this economic factor to the analysis.

(CONTINUED ON PAGE 139)

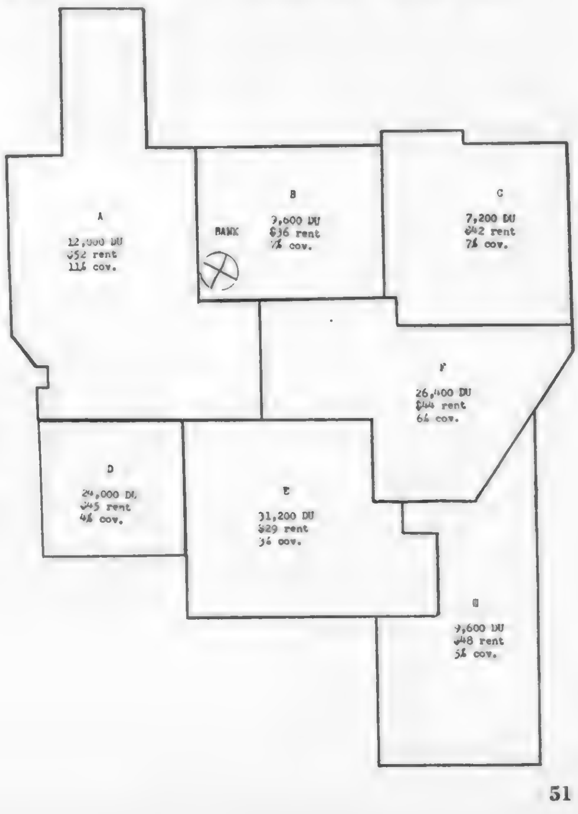


FIGURE 1

Distribution of a bank's customers based on the number of families in each area of a census subdivision. See also Table 1, page 139

THE MONTH

ALL PHOTOS FROM UNITED PRESS

RIGHT: SEN. BRICKER *(at left in picture)* is author of the proposed constitutional amendment that is making many "liberals" say for the first time that our Constitution "was good enough for our forefathers," etc. With him is Sen. George, who is author of one variation on the Bricker proposal

BELOW: VIETNAMESE troops in Indo-China, whose see-sawing war with the communist Vietminh has been heavily financed by U. S. taxpayers. The French, under whose flag these native troops fight, have turned down an offer of troops by South Korea, profess alarm at our "periodic" interest in their native war (the handouts have been steady, not periodic), and flirt with the idea of negotiating a peace

ABOVE: ACCOMPLISHMENT at the Berlin 4-power parley was very meager, as predicted by men who know communist's best. Russia's Molotov *(at left with profile toward camera)* kept the delegates entertained with a series of impossible proposals. U. S. Secretary of State Dulles *(at extreme right holding pencil)* called various Molotov bluffs in sometimes not-so-diplomatic language

Agricultural Secretary Benson, the Administration, and all those running for Congress in the fall are on the horns of a dilemma. This cartoon was captioned "Old Dobbin"

ROBINSON IN THE INDIANAPOLIS NEWS

The Tenth Inter-American Conference will convene at Caracas, Venezuela, on March 1, using the rounded-roofed building in the center of the picture as its principal meeting place. A main feature will be Guatemala's pro-Communist government's claim that other governments, particularly the U. S., are falsely accusing it of being pro-Communist. Another subject will be coffee prices

Instalment Sales Financing

A Taxwise and Dollarwise Analysis of Two Financing Plans

LEO B. HELZEL

The author, a certified public accountant, heads the accounting firm of Leo B. Helzel and Company, Oakland, California, and is a member of the California Bar. He is instructor of taxation at the Golden Gate College, San Francisco.

The Problem

THERE are generally two types of arrangements that the retailer can make with banks or finance companies to obtain advances on instalment receivables. He can either pledge or discount the receivables. The amount of working capital that the retailer will retain after taxes will depend upon which of these arrangements is employed. Pledging, i.e., borrowing on the collateral of the receivables, may permit the deferment of income taxes until collections are made from customers; discounting, i.e., selling with or without recourse, will require the payment of taxes in the year of sale.[1] The difference between the two methods is that a substantial amount of cash can be permanently available to the retailer only under the pledge arrangement. The fact that the welfare of a business can turn upon the mere form of financing becomes a serious problem when it is realized that a free choice between these methods may not be available to the retailers who need it most.

If the retailer is financially strong, he can obtain a line of credit on a pledge, i.e., assignment, of his receivables as collateral for advances. If he does not enjoy such a strong position, he will be required to discount (sell) his sales contracts to the bank or finance company and become a guarantor thereon. The discount arrangement occurs most frequently with, and is of particular interest to, the "small businessman."

From the retailer's point of view, taxes aside, there is little to commend one arrangement over the other. Under the pledging arrangement, the retailer receives a loan of about 80 to 90 percent of the balance due on the sales contracts and pays interest on the loan monthly. Under the discount arrangement, he receives as the proceeds of the discount about 80 to 90 percent of the balance due on the contracts less a "service charge" deducted in advance. The remaining 10 to 20 percent (referred to as a "holdback") is placed in a "reserve" account by the finance company to secure his contingent liability as guarantor, and this sum will be paid to him if and when all of the contracts are paid in full or when the reserve exceeds a certain level. Under either arrangement, 10 percent or more of the receivables must be financed by the retailer himself or by capital obtained from other sources. In both cases he bears the full loss from uncollectible accounts, and he has to keep records, do collection work to minimize losses, and make repossessions. In addition to these burdens, his need for uninterrupted financing will require him to submit to the demands of the finance company to replace doubtful accounts or to increase its margin of security.

The critical difference between the two arrangements is in the income tax consequences, the impact of which is felt throughout the life of the business.

Under the pledge arrangement the retailer has the option of reporting his taxable gross profit on the instalment basis,[2] that is, when and as his customers pay on their accounts, although he deducts all expenses in the year in which they are incurred. This will result in deferring taxes on the sales of early years and on the increase in sales from year to year. Under the discounting arrangement, the instalment receivables are regarded as no longer belonging to the retailer, and all of the profit on sales is currently taxed in the year the sales are made. In early years or in years of expansion, this method results in a severe and permanent drain of cash. Under either arrangement the tax must eventually be paid; but as is later illustrated in a specific example, the retailer who operates under the pledge arrangement, assuming that his sales volume levels off or continues to increase, will have substantially more cash available.

Lack of Compensation

If the business is subject to fluctuations in its annual sales volume, the pledge arrangement will keep the retailer in lower tax brackets by leveling off reportable income over the years. Under the discount arrangement the retailer will be taxed at high rates in good years with little compensation for losses sustained in poor years.

Another distinction is that under the pledge arrangement a tax deduction can be taken for a reserve for bad debts.[3] This apparently can not be done under the discount arrangement.[4] One important advantage of the bad debt reserve is that it permits a deduction earlier, that is, in the year of sale instead of in the year when a receivable is actually determined to be worthless. The earlier the deduction, the later the

[1] I.R.C. Secs. 44(a) and 44(d); Grace T. Mytinger v. Comm'r, 4 B.T.A. 896 (1926); Packard Cleveland Motor Co. v. Comm'r, 14 B.T.A. 118 (1928); Imperator Realty Co. v. Comm'r, 24 B.T.A. 1010 (1931); Duram Bldg. Corporation v. Comm'r, 66 F. (2d) 253 (2d. Cir. 1933), 12 AFTR 976; Alworth-Washburn Co. v. Helvering, 25 B.T.A. 140; affd., 67 F. (2d) 694 (D.C. Cir. 1933); Elmer v. Comm'r, 65 F. (2d) 568 (2d. Cir. 1933), 12 AFTR 833; Robinson v. Comm'r, 73 F. (2d) 769 (9th Cir. 1934), 14 AFTR 758; Miller Saw-Trimmer Company v. Comm'r, 32 B.T.A. 931 (1935); Thos. Goggan & Bro. v. Comm'r, 45 B.T.A. 218 (1941); Della Nickoll, P-H 1951 TC Mem. Dec. P. 51, 273 (1951).

[2] I.R.C. Sec. 44(a). There is a strong indication that this is true in Elmer v. Comm'r, 65 F. (2d) 568, 569 (2d. Cir. 1933).

[3] I.T. 3957, CB 1949-1, p. 65.

[4] Costley Motor Co., Inc., P-H 1936 B.T.A. Memo Dec. Paragraph 36, 310 (1936).

tax and the more cash available to the business. Another important advantage is that the reserve method spreads the deductions for repossession losses over the years, thus tending to assure their use as a reduction of reportable income. Without a reserve such deductions may accumulate in one or a few successive bad years and be lost for tax purposes.

A reserve for bad debt cannot be used in relation to discounted receivables because the retailer has no debt owing to him which is likely to become worthless. After discounting, the receivables belong to the finance company and the customers become debtors of the latter; the only debtor that the retailer has is the finance company which owes the holdback credit and will pay the same to him unless subsequently the retailer fails to meet any liability that may acrue on his part as guarantor of the receivables. Of course, the dealer is certain to have losses on his liability as guarantor, but it appears that a reserve is not permitted in connection with such a contingent liability; the retailer must deduct such losses in the year in which they occur.

Illustration of Problem

To graphically illustrate and contrast the tax effects under the two arrangements, let us assume two retailers: "Pledge Pete" who operates under the pledge method, and "Discount Dave" who operates under the discount arrangement. In Exhibit A, identical operating figures are assumed for both Pete and Dave and are translated into the widely different net cash income of each under his respective arrangement. Pete may report his taxable gross profit on the instalment accounting basis because, under the pledge arrangement, he is still the owner of the receivables. Dave, on the other hand, keeps his books and prepares his return on the accrual basis (that is, he reports all gross profit in the year of sale) because, upon discounting, his receivables are considered sold and his profits accrue.

Exhibit A reveals that Pete's cash advantage over Dave at the end of four years amounts to $163,000, a sum equal to Pete's tax deferment. This same striking tax deferment will occur again each and every time there is an increase in sales volume. Pete will always enjoy tax deferment on the profits in his receivables as long as he remains in business.

Finance Company Holdback Reserve

In a succession of cases[5] litigated during the years 1940 through 1946, the courts decided that a holdback reserve by the finance company to secure the dealer's contingent liability as guarantor is an asset of the dealer and therefore taxable to him as income. Common to these cases was the fact that the liability to repurchase or replace bad receivables was imposed upon the dealer himself, not upon the reserve, regardless of how much was credited to him by the finance company because of the holdback. The holdback reserve was merely security for such liability and was not to be invaded unless the dealer had become unable to repurchase bad accounts. In other words, everything necessary to establish the dealer's right to the holdback had occurred and he was bound to receive it in cash unless his right was *later* cut off by his failure to meet his obligations as guarantor; in this event he would still receive the benefit of the holdback as a set-off against his guarantor's liability.

Two other cases[6] in this period in-

[5] Shoemaker-Nash, Inc. v. Comm'r, 41 B.T.A. 417 (1940; Colorado Motor Car Company, P-H 1940 B.T.A. Memo. P. 40, 178, Docket No. 96860; Royal Motors, Inc. v. Comm'r, 4 TCM 777 (1945), CCH Dec. 4, 687M; Town Motors, Inc. v. Comm'r, 5 TCM 625 (1946), CCH Dec. 15, 304(M).

[6] Keasbey & Mattison Co. v. U. S., 141 F. (2d) 163 (3rd. Cir. 1944), 32 AFTR 261; Ernest G. Beaudry P-H 1941 B.T.A. Memo. Dec. Paragraph 41, 114 (1941).

EXHIBIT A

"Pledge Pete" vs "Discount Dave"
Tax and Financial Consequences of Financing Instalment Receivables During the First Four Years of Operations

NET CASH INCOME OF BOTH BEFORE TAXES	% of Sales	First Year	Second Year	Third Year	Fourth Year
Net income on accrual basis:					
Sales	100	$600,000	$800,000	$1,000,000	$1,000,000
Cost of sales	60	360,000	480,000	600,000	600,000
Gross profit	40	$240,000	$320,000	$ 400,000	$ 400,000
Total expenses net	30	180,000	240,000	300,000	300,000
Net income on accrual basis	10	$ 60,000	$ 80,000	$ 100,000	$ 100,000
Less portion of net income tied up in receivables:					
Increase in finance company's reserve, or holdback		$ 32,000	$ 18,000	$ 10,000	$ 8,000
Increase in receivables not financed (those retained)		30,000	20,000	20,000	—0—
TOTALS		$ 62,000	$ 38,000	$ 30,000	$ 8,000
Net cash income or (loss) of both before taxes		($ 2,000)	$ 42,000	$ 70,000	$ 92,000
PETE'S NET CASH INCOME AFTER TAXES					
Net cash income before taxes (as above)		($ 2,000)	$ 42,000	$ 70,000	$ 92,000
Less Pete's income taxes (See Exhibit A-1)		—0—	—0—	—0—	14,000
Pete's net cash income or (loss) after taxes		($ 2,000)	$ 42,000	$ 70,000	$ 78,000
DAVE'S NET CASH INCOME AFTER TAXES					
Net cash income before taxes (as above)		($ 2,000)	$ 42,000	$ 70,000	$ 92,000
Less Dave's income taxes (based on net income on accrual basis—see above; assuming Dave is a married man having $4,000 deductions and exemptions)		27,000	40,000	55,000	55,000
Dave's net cash income or (loss) after taxes		($ 29,000)	$ 2,000	$ 15,000	$ 27,000
PETE'S CUMULATIVE CASH ADVANTAGE OVER DAVE AT THE END OF EACH YEAR		$ 27,000	$ 67,000	$ 122,000	$ 163,000

dicate that a somewhat different arrangement with the finance company will cause the holdback to be nontaxable to the dealer. In these two cases the difference was this: the uncollectible receivables had to be charged first against the holdback and the dealer's liability as guarantor could not arise until the holdback was exhausted. Since the dealer's right to the holdback was not established until the balance of the holdback *after* absorbing charges for bad accounts exceeded a certain level, the holdback did not accrue as an asset to the dealer until that time, and until then it could not be said what, if anything, the dealer would receive from the holdback.

From the legal view, the difference in result is attributable to a "condition precedent" in the two cases last mentioned (i.e., losses must be absorbed before the dealer's right to the holdback arises) as contrasted with a "condition subsequent" in the first mentioned series of cases (i.e., the right to the holdback is presently established subject to being later cut off by failure to meet the liability as guarantor).

Changing the Instalment Method

If the dealer changes from the accrual method of accounting to the instalment method, he will normally have to pay an income tax on collections received thereafter on account of sales of prior years.[7] This will result in double taxation because he has already paid a tax on the profits on those sales in the years when they were made. However, the dealer can avoid the double tax by selling all of his receivables before changing over to the instalment accounting method.

Analysis and Recommendations

The root of the problem is that, legally, discounting (with or without recourse) is regarded as a sale or disposition of the dealer's receivables and is therefore a taxable event, while pledging is merely a security transaction (like a mortgage) which is collateral to a loan transaction and therefore not taxable.

To the dealer there is no practical distinction between pledging and discounting with recourse. The courts have looked for economic incidents by which to differentiate between the two arrangements but they have not been successful. Irreconcilable reasoning appears among the reported cases. In a few more recent decisions the courts have abandoned the attempt to find an economic distinction.[8]

[7] I.R.C. Sec. 44(c).

EXHIBIT A-1

Pete's Taxable Income on Instalment Accounting Basis and His Tax Thereon

Calculation of Unrealized Gross Profit in the Increase in Uncollected Receivables	First Year	Second Year	Third Year	Fourth Year
Annual increase in uncollected balances of receivables, whether financed or not (consistent with amount shown tied up in receivables on Exhibit A)	$350,000	$200,000	$120,000	$ 80,000
40% of above (gross profit ratio—see operating ratios on Exhibit A)	$140,000	$ 80,000	$ 48,000	$ 32,000
Taxable Net Income or (Loss) on Instalment Accounting Basis				
Net income on accrual basis per Exhibit A	$ 60,000	$ 80,000	$100,000	$100,000
Less unrealized gross profit in the increase in uncollected receivables as shown above	140,000	80,000	48,000	32,000
Pete's taxable net income or (loss) on instalment basis:				
Before carrying forward losses from previous years	($ 80,000)	$ —0—	$ 52,000	$ 68,000
After carrying forward losses	($ 80,000)	($ 80,000)	($ 28,000)	$ 40,000
Pete's Federal Income Tax on Instalment Basis Net Income after Carrying Losses Forward—				
(Assuming same deductions and exemptions as Dave's)	$ —0—	$ —0—	$ —0—	$ 14,000

The problem continues to exist because tax legislation affecting consumer's goods and financing is lagging behind upsurging economic developments. More particularly, there has been a failure to coordinate and harmonize the law with economic and business realities. The section of the Internal Revenue Code which permits a dealer who makes instalment sales to report income as he makes collections, requires that he make such sales regularly.[9] However, when it comes to discounting receivables, realities are forgotten and *regularity* of financing by the dealer is given no consideration. The dealer is treated just like the individual who has made a single, isolated sale and does not expect to make another. Because of the continuity of the dealer's transactions and the holdback by the finance company, discounting does not close the profit cycle, but is largely a way of recovering a portion of cost and overhead so that cash can be put to work again. Meanwhile, the dealer is accumulating future repossession losses for which he gets no present tax allowance. Since the drain on cash by taxes comes while the profits, as yet undetermined, are being increasingly tied up in the finance company's holdback, the dealer's working capital is reduced and his operations must shrink.

Dangerous Situation

In the economy geared to increasing consumer credit, this situation is not only an obstacle to healthy activity and growth but it is also affirmatively dangerous. Though the dealer may manage to keep his head above water under the usual discount arrangement under which he agrees to repurchase delinquent accounts, he becomes swamped when collections begin to lag and the bank demands cash under the repurchase obligation. Ironically, the dealer has dissipated his cash on income taxes on the anticipated profits contained in the very same contracts that are being returned to him by the bank or finance company as delinquent or worthless accounts. He was not

(Continued on page 118)

[8] Compare Elmer v. Comm'r, 65 F. (2d) 568, 569; 12 AFTR 833, 834 (1933) and Thos. Goggan & Bro. v Comm'r, 45 B.T.A. 218, 223 (1941).
[9] I.R.C., Sec. 44(a).

The 1954 Advertising Plans

MR. HEMING is manager of the Advertising Department of the American Bankers Association.

G. EDWIN HEMING

If the amount commercial banks are going to spend this year for advertising is an indication of their faith in the general business picture, 1954 should turn out to be a good year.

This year commercial banks will spend an estimated $68,000,000—a new all-time high. This is $7,000,000 more than they spent in 1953, and reflects a steadily increasing amount since 1950. In fact, the figures recorded for the past nine years show that 1950 was the only year in which the banks spent less for advertising than in the previous year.

Banks in all deposit classifications, except banks having less than $1,000,000 in deposits, say that they will spend more for advertising in 1954 than they did in 1953. Banks in the under $1,000,000 classification will spend an average of $419, which is 9 percent less than their past 5-year average.

The range of individual bank advertising expenditures reported in the various deposit size classifications varies widely, with the smallest bank spending up to $2,500 a year, and the very largest banks spending from $100,000 to $1,000,000.

The amounts shown in the accompanying chart are average figures and are not in any way to be considered recommendations by the Association. Obviously, an average should not be the yardstick used in fixing a bank's advertising budget. Many local factors should be taken into consideration.

9th Annual Survey

This is the ninth annual survey of commercial bank advertising made by the A.B.A. Advertising Department since the end of World War II. This accumulation of information now extends over a long enough period to reveal trends in expenditures, in the use of media, and in the choice of advertising subject matter.

The current survey was made by mail at the turn of the year and reveals the 1954 planning of 3,302 commercial banks. Almost 25 percent of all commercial banks participated, the largest percentage since 1950. The Advertising Department takes this opportunity to thank the participating banks for their cooperation, and to urge other banks to supply information in future surveys of this kind. It is through such cooperation that these surveys, and their contribution to the cause of better bank advertising, are made possible.

A more detailed tabulation of results of the 1954 survey, showing the range of expenditures, as well as the averages of banks in various deposit classifications, has been sent to each bank that answered the questionnaire. Copies will be sent to other banks or their advertising agencies on request, as long as the supply lasts.

What Is the Major Bank Advertising Job for 1954?

For the third consecutive year, more banks listed "Selling savings and thrift" as the job requiring top attention. This year, however, in addition to selling thrift as a means of personal financial progress, banks stressed the importance of selling the idea of the bank as the best

DEPOSITS	NUMBER OF BANKS IN U.S.	NUMBER OF QUESTIONNAIRES RETURNED	1954 AVERAGE EXPENDITURE (for banks listing same)	COMPARISON 1953	1952	1951	1950	1949	1948	1947	1946
Under 1 Million	2638	247	$419	$557	$445	$485	$410	$450	$385	$285	$266
1 Under 5 Million	7492	1636	$1297	$1235	$1165	$1025	$900	$1050	$900	$760	$698
5 Under 10 Million	2005	662	$3749	$3471	$3216	$2710	$2600	$2500	$2265	$2160	$1780
10 Under 25 Million	1219	449	$8164	$7498	$6747	$6335	$5970	$5540	$4765	$5030	$4383
25 Under 75 Million	492	194	$21,248	$20,015	$17,435	$15,945	$16,020	$15,854	$12,835	$15,390	$23,954
Over 75 Million	284	114	$95,990	$86,410	$71,697	$67,520	$56,750	$55,400	$64,120	$62,750	
TOTALS	14,130	3302									

# of 3,302 Commercial Banks

place to save. Basing conclusions on replies that lend themselves to classification and tabulation, the following pattern of other jobs to be done emerges: Sell various bank services; sell the institution as a whole; educate and inform the public about banking; build confidence in sound, free, chartered banking; meet competition with aggressive advertising.

Here are a few of the answers to this question in the replying bankers' own words:

"We believe a major amount of advertising should be done through our schools in giving the youth of our nation a normal amount of knowledge as to the operation of banks and the safety (and other benefits) of doing business with an institution that can give them so many different services."

*

"To encourage the habit of thrift; to emphasize the many services offered by banks at nominal cost; to encourage the public to use more of these services and make the bank its major instrumentality for financial matters."

■

"Stress the importance of a sound dollar."

■

"Our theme is: When you talk about money, talk to a bank."

■

"Educate the public that a bank is the best place to save and that a bank's aim is to be interested and helpful in connection with all personal financial matters."

*

"Help sell the importance of a sound fiscal policy."

*

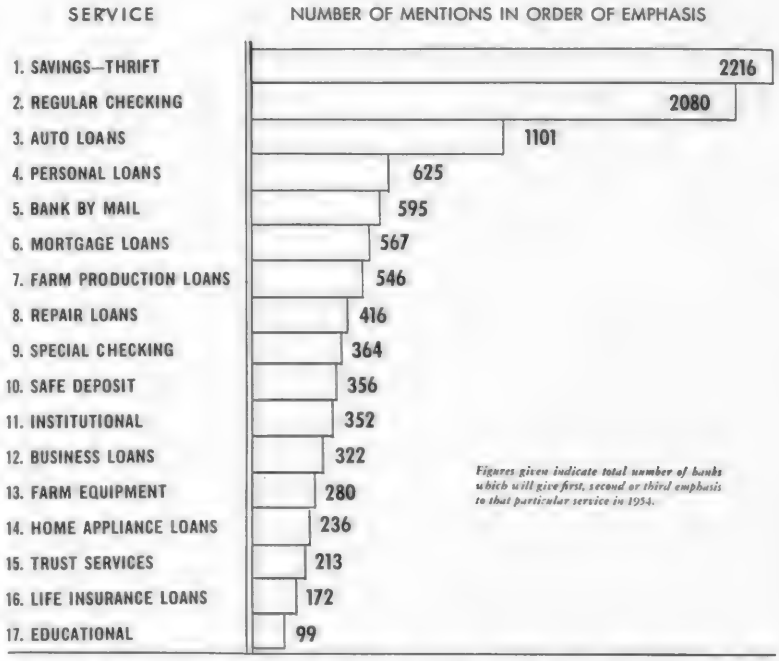
"Sell thrift and sound family financial practices."

*

"In my opinion, nothing can be more important than the continuance of an educational program for the youth of our communities, so that in the future going to the bank will be as natural as going to the store."

*

"Better money management through sound financing—stressing thrift."



What Services Will Banks Advertise?

As might be expected from the number one answers to the previous question, savings and thrift top the list. Next in order, based on the total number of banks which will give first, second, or third emphasis to that particular service, are the services listed in the emphasis chart on this page.

Compared with last year's chart, banking by mail jumped from 7th place to 5th place, and home appliance loans from 15th to 14th place.

What Media Will Banks Use?

As in former years, more banks will use newspapers than any other medium. Next, in the order of the number of banks that will use that medium are: direct mail material, window and lobby displays, calendars, radio, specialties, outdoor billboards, theater slides and shorts, bus and car cards, and television.

Compared with the figures reported for 1950, direct mail has jumped ahead of window and lobby displays, and theater slides and shorts have gone ahead of bus and car cards.

While television remains in 10th position, the number of banks reporting use of this medium in 1954 has more than doubled since last year, and is more than seven times greater than in 1950.

Inquiries Are Invited

The A.B.A. Advertising Department will welcome inquiries from member banks wanting more detailed information. For example, figures can be made available showing the expenditures for banks under $10,000,000 in each million dollar division. Similar figures are available for banks in many of the other deposit classifications between $10,000,000 and $300,000,000.

GOVERNMENT BONDS

TREASURY	*MARKET*
Takes advantage of easy money	*Easy money makes for better prices*
New 7¾-year 2½% bond popular	*Favorable reception of refinancing*
Needed cash to be obtained "later"	*Increased volume of trading*
3 percent long-term may be the answer	*Rediscount rate cut adds to strength*

MURRAY OLYPHANT

THE official announcement of the Treasury's recent refunding stated that because of debt limitations sale of a longer-term bond for cash at this time "was precluded," but "consideration is being given to such an offering at a later date." This date can hardly be delayed much beyond early April and might come during March. A total of $5,900,000,000 of 2½ percent tax anticipation certificates will either have been used on March 15 in lieu of cash for tax payments with the benefit of seven days' interest in advance or retired on their maturity March 22. Hence, although tax payments due on March 15 would normally swell the balance in the general fund of the Treasury enough to care for expenses for several months, this year the receipt of TA certificates instead of cash will prevent that result.

Estimates have been made that between $2- and $3-billion of new cash will be needed to keep the general fund from declining to an undesirably low level during the second quarter of the year. Consequently it is fully expected that quite early in the second quarter a new issue will be offered for cash subscription.

Long-Term Bond Expected

At that time another real extension of debt maturity may be attempted. There is some evidence that the true investment purchasers, such as the large pension and retirement funds, both public and private, would not be averse to obtaining a 3 percent income return from a Government obligation, the 3 percent return and not the actual maturity being the chief desideratum. The 3¼ percent bonds 6/15/83/75, which are the longest-term bonds now outstanding, now yield less than 2⅞ percent.

Would it not therefore seem that ready placement could be found for a full 3 percent yield, especially if a way could be found to give preferential allotments to real investment subscriptions?

Furthermore, it may be that by the time such an offering is made, further market strength may have developed. Normally a decline in loans has been more pronounced in the second quarter than in the first. Current indications of somewhat declining business volume may not have run their course. Should this prove true, the maturity of a 3 percent bond might be pushed beyond the 25-year range. The Treasury should have no difficulty in obtaining what cash was needed from such an issue.

Record Amount of Refunding

The largest amount of refunding ever recorded was announced by the Treasury on January 27. Only the last four war loans exceeded $20-billion, and these were cash sales only.

Holders of bonds, notes, and certificates totaling over $20,750,000,000 and maturing or called in February, March, and June were offered the right to exchange their maturities for the two new issues. The issues to be refunded were:

(1)	$8.114	million	2¼	percent	certificates	due	2/15/54
(2)	4.675	"	1⅜	"	notes	"	3/15/54
(3)	5.825	"	2	"	bonds	"	6/15/54
(4)	1.501	"	2¼	"	"	called	6/15/54
(5)	681	"	2¼	"	"	"	6/15/54
	$20.796	"					

The issues offered in exchange were 1⅝ percent Treasury certificates due 2/15/55 and 2½ percent bonds due 11/15/61. Holders of the first two maturities could exchange for either the new certificates or the new bonds. Holders of the June maturities were restricted to acceptance of the bonds.

Surprise

That there would be a "split" offering had been anticipated, but the inclusion of the June maturity and the call of the two 2¼ percent bond issues had not been expected until just before the announcement was made.

Why?

The Treasury probably reached its decision as the result of several factors. (1) Conferences with all

classes of large investors and dealers in the week preceeding the announcement had made it clear that an intermediate maturity with a 2½ percent coupon would be favorably received. (2) Current market conditions were made to order for a sizable refunding. Money was very easy. Loans were recording a somewhat more than seasonal decrease. Commercial banks seemed to be disposed to stretch out maturities in order to increase income return. (3) The desirability of at least starting to "bunch" maturities so that the Treasury would be relieved of almost monthly refinancing had long been recommended. And (4) there seemed a real chance to issue a really substantial amount of debt with a maturity nicely beyond a 5-year limit.

What was done cleaned up refinancing for the first six months of 1954, except for the maturity of $4,857,000,000 2⅝ percent certificates on June 1 and the probable replacement of at least part of the $5,900,000,000 of TA 2½ percent certificates with a new cash offering after March 22.

"Excellent" Reception of New Bonds and Certificates

Well over half of the holders of the $20,750,000,000 maturing and called securities made the exchange for the new 2½ percent bonds. Over $11-billion of the new bonds are now outstanding. Only two other issues exceed $8-billion. These are the $8,100,000,000 1⅞ percent certificates and $8,600,000,000 2 percent bonds, both of which mature in December when another record size refunding is a possibility.

Holders of the $8-billion of bonds called for June payment accepted nearly $5.5-billion of the new 2½ percent bonds, leaving only about $2,500,000 to be either paid on their call dates or exchanged then for a new issue "probably short-term."

"Attrition" on the February and March maturities was held to a new record low. Only about $264,000,000 of the maturities were not exchanged for the new issues, an amount which is only about 2 percent of the $12,750,000 which were maturing.

Some doubt had been expressed as to how many of the holders of the bonds called in June would accept the new bonds and thereby extend their maturity, but five out of eight were willing to do so, as over $5-billion of the new bonds were accepted.

A brief tabulation shows the excellence of the results of the offering.

(000,000 omitted)		*Exchanged for ctfs.*	*Exchanged for bonds*	*Unexchanged*
Due in Feb. and March	$12,789	$6,958	$5,567	$264
Called for June payment	8,007	——	5,470	2,537

January Ease in the Money Market

On January 25 the Treasury sold $1.5-billion of 90-day bills at an average discount rate of 0.998 percent. The following week the rate rose slightly to 1.03 percent, but one week later the cost to the Treasury fell to 0.893 percent, the lowest since October 30, 1947. Last June the Treasury paid 2.416 percent. These low rates highlighted the growing ease of money since the first of the year.

Between December 30 and January 27 the gross loans

(CONTINUED ON PAGE 112)

Investment Markets

H. EUGENE DICKHUTH

RISING prices and strong demand have characterized the tax-exempt bond market in recent weeks. The average yield for general obligations fell below 2.40 percent, which compares with 3.06 percent last June. In that period, prices rose more than 10 percent.

All indications are that heavy offerings will be made of state, municipal, and authority bonds. Underwriters estimate that new tax-exempt bond issues in the talking stage are in the neighborhood of $5-billion. That includes flotations almost ready for the market. Among them are Turnpike Authorities of Pennsylvania, New Jersey, and Florida, and the Connecticut and New York State Thruway Authorities.

Corporate financing was slim in the first few weeks of the new year. Stock flotations for January alone were at a 3-year low. In contrast, bond offerings were the largest since 1950. The flood of new issues to come should make it fairly certain that the first quarter of 1954 will provide an ample supply of new bond flotations. Barring unforeseen circumstances, there should also be an ample money supply to absorb these offerings in addition to the demands the Treasury will have to make on the money market.

ONE of the largest banking deals, so far in 1954, involves 15 Oregon banks with 18 offices. Subject to approval of the Comptroller of the Currency and the Oregon Superintendent of Banks, Transamerica Corp. has negotiated the sale of its substantial holding in these banks to First National Bank of Portland, in which Transamerica and its subsidiaries have stock ownership of about 67 percent.

All 18 offices are scheduled to become branches of the purchasing institution—in the following Oregon localities: Carlton, Corvallis, Cottage Grove, Eugene, West Eugene, Forest Grove, Lebanon, Monroe, Ontario, Philomath, Portland, Prineville, Scio, Seaside, Silverton, Springfield, Sweet Home and Yamhill.

While exact sales terms were not disclosed, the transaction makes First National Bank of Portland the largest bank in the Pacific Northwest, with assets of nearly $800,000,000.

AS to over-all financing records in January, bonds publicly offered totalled $860,908.000 in 82 new issues. This compares with $1,097,831,000 representing 93 issues in December and with $587,184,000 for 109 issues in January 1953.

Of the January bond total, about $359,000,000, or more than 40 percent, were tax-exempts in the state and municipal group. The largest in this class was the $79,800,000 Mackinac Bridge Authority flotation. The next largest issuer group were public utilities, with $190,000,000, followed by the International Bank, with $100,000,000.

Only 12 stock issues were floated in January, totalling $44,012,000, against seven issues for $32,803,000 in December and 15 for $76,639,000 in January 1953. Utilities led with $25,074,000.

New Jersey Bankers Association officers and speakers at the Banker-Farmer luncheon in Trenton at the conclusion of Farmers' Week. ***Left to right,*** **Treasurer Kinnamon, Vice-president Frank A. Weber (president, Garden State National Bank, Teaneck), New Jersey Secretary of Agriculture W. H. Allen, Mr. Bromfield, President Poe, and NJBA Secretary Wm. K. Mendenhall**

The Economic Dilemma of Our Agriculture

Farmers get only an average of 42 cents of consumer dollar . . . City consumer pays highest price for milk, while price paid dairy farmer for whole milk is lowest in years . . . Capital investment in agriculture exceeds entire investment in industry . . . Farmers must be protected against erratic and calamitous falls in prices . . . We can't give up agricultural supports because we cannot afford to

LOUIS BROMFIELD, *noted author, lecturer, and farmer of Malabar Farm, Lucas, Ohio, spoke before 350 bankers and farmers at the seventh annual Farmer-Banker luncheon in Trenton, under the sponsorship of the agricultural committee of the New Jersey Bankers Association.* JOHN P. POE, *president of the First National Bank of Princeton and NJBA president, presided at the luncheon in the absence of Agricultural Chairman* WILLIAM F. RITTER.

During the luncheon, a $500 check was presented to ROLLYN WINTERS, *state 4-H leader, by* WILLIAM J. KINNAMON, *NJBA treasurer and executive vice-president, Hunterdon County National Bank, Flemington, to defray expenses of four outstanding representatives of the state 4-H organization to the National 4-H Congress in Washington.*

Excerpts from MR. BROMFIELD'S *address on "The Economic Dilemma of Our Agriculture" follow:*

THERE has been much loose talk in the war years about all farmers becoming millionaires, but the facts are a long way from the illusions of the city housewife, who when she pays $1 or $1.25 a pound for steak, fancies, without thinking, that this $1 or $1.25 all goes to the farmer. This of course is absurdly untrue. Today out of every consumer's dollar the farmer gets an average of 42 cents. That means, of course, that for many products he receives much less than that average. Not long ago in the celery market, the grower was being paid 4 cents a bunch for celery which was sold to the consumer on the retail market for from 27 to 30 cents a bunch, while the grower was being told by retailers and buyers there was too much celery on the market.

One hears much of the high prices the farmer is receiving for his products but the fact remains that today he is getting very little more for his produce on an average than he was receiving in 1940, while the cost of everything he buys has increased all the way to as much as 200 percent or more. The level of industrial wages, and especially those of the skilled worker, has risen many times more rapidly than the prices received for farm produce and these rises are in turn simply tacked on to everything the farmer buys from chemical fertilizer through fencing to farm machinery. . . .

Farm Prices Rise and Fall; Wages Remain Stationary or Rise

It should be pointed out also that while the prices of the farmer rise and fall, the level of wages remains stationary or rises, barring a violent economic depression, and since 1940 the trend of wages has always been steadily upward in a ratio far out of line with food prices. Prices for

farm products can and do fall at the present time as much as 25 percent upward in a couple of months, as occurred during the cattle market of 1952. These rises and falls are rarely reflected in the price to the consumer because the wages and salaries and other costs do not change. Often enough the retailer, simply absorbs the farmer's loss as his own profit and the price to the consumer remains unchanged. In the case of meat, the wages of the truck driver, the processing worker, the white collar clerks, the meat inspectors, the salesmen, the executives, the hauling rates either by truck or railroad, all remain stationary or increase. It is the farmer and cattleman who takes the whole beating. . . .

Who Benefits

This constant rise in the wages of the truck driver, the processor, the white collar worker, the railroad worker, actually increases the cost of food without benefiting in any direct way the farmer. He benefits only in the vague way that if all of these people have more money they can perhaps buy more of the food he raises. These raises in wages all along the line, however, are passed on to the consumer, who is frequently the union worker himself, and the consumer yells. No area of farm economy or food production better illustrates this situation than the dairy industry which I certainly know at first hand with a large milking herd. The price of milk to the city consumer is on the whole higher than it has ever been, but the price paid for raw milk to the dairy farmer is lower than it has been in years. The rise in milk prices to the consumer has not gone to the farmer at all but mostly to the union labor engaged in processing and transporting and delivering the milk. Yet the average consumer and the union worker's wife thinks the dairy farmer is getting rich on the high prices she pays for milk.

It could almost be said that the American farmer is least responsible of any element in our society for the increasing cost of food during the past few years. . . .

In no field of our national activities is it so difficult to produce statistics of validity or accuracy as in agriculture and the livestock business. You are dealing with a myriad products, each one of them subject to vagaries of the weather, disease, insect attack, flood, drought or almost anything you want to name. . . .

So it might be worth while bringing up, *not* statistics, but some straight facts which are scarcely known at all. First is the fact that no other nation in the world knows such an abundance of food and agricultural commodities as this one and, more important, no other nation in the world has so nearly a perfect balance between agriculture and industry. Exports are vital to almost every other nation in the world and in most of them simply in order to buy and *import* food and raw materials. The export of our commodities has never totaled as much as 10 percent of our national production and for some time past it has been considerably below that level. With us export is *not* a desperate necessity; we could survive quite well at standards possibly above those of most other countries simply upon the interior turn-over and exchange of agricultural and industrial commodities within the borders of the nation. Export to us is a great convenience and is to some degree the margin which raises our living standards above those of all other nations, but it is not a grim necessity.

This internal balance between production of agricultural commodities and the production of industrial commodities and the ability of agriculture to purchase the products of industry and of industry and industrial workers to purchase and consume in turn the products of agriculture has been greatly underestimated in relation to the whole story of our national economy.

Another fact scarcely known at all is that the capital investment in agriculture — that is to say land, buildings, machinery and livestock —is greater than the whole of the investment in industry. And still another fact, that as high as 50 percent or more of our population derives its income, wages and purchasing power, directly or indirectly from an agricultural and livestock base.

Base of Economy

Agriculture is the whole base of economy in 95 percent of our villages and smaller towns. It is agriculture which buys the radios, the tires, the fertilizer, the insecticides, the farm machinery, etc., etc., etc. It is also very largely the base of the economy in great cities such as Minneapolis, Omaha, Kansas City, Des Moines, Iowa, or Montgomery, Alabama, or Memphis, Tennessee. In many of these cities the prosperity of agriculture and the livestock industry largely determines the prosperity of the insurance companies, the stockyards, the retail stores, even the value of real estate property. But let's go a step farther. The whole of the vast agricultural machinery business, with its ramifications into steel, rubber, tires, etc., is dependent entirely upon the ability of the farmer to buy. And beyond that there are the vast food industries whose employees are dependent upon agricultural production—the huge meat packing industry, General Foods, General Mills, and thousands of smaller corporations. And a third or more of the steel business, the gas and oil business, the rubber business. You could carry on a listing of these facts (not statistics) almost indefinitely.

When Farmers Can't Buy

What does this all mean? It means simply that when the farmer cannot buy or if he chooses *not* to produce, or cannot afford to produce, men are out of work in our great industrial cities overnight—at first a few hundreds and then a few thousand and then a few hundred thousand. It means also that all of these unemployed are fundamentally far less secure than the average farmer who at least has a roof over his head and can feed his family. After a few weeks, these unemployed workers are on relief of some kind, and most important of all, they can no longer buy in quantity the commodities produced not only by agriculture, but even by the very industries which once employed them. The calamity pyramids, farm prices fall still lower, and presently our industrial economy collapses about us.

Two Fundamental Points

The points I wish to make are two:

(1) That if this nation, with a constantly and rapidly growing population and a definite limitation upon its productive agricultural land, is to continue to have the best diet and the highest living standard and the cheapest food in the world,

(CONTINUED ON PAGE 66)

NOW...6 Types of Recordak Microfilmers

designed for *all* requirements ... *all* budgets

Why six types of Recordak Microfilmers—instead of just one or two?

The reason is simply this: Recordak's aim is to bring the advantages of modern microfilming to all banks at lowest cost. *But requirements vary so much* that the ideal microfilmer for one bank would be an unwise investment for another.

Thus, Recordak offers 6 different types of microfilmers. And regardless of the size of your bank, *you'll save dollars every day with the one designed for you.*

It will certainly pay you to check with your local Recordak representative. He'll give you the complete up-to-date picture on Recordak equipment, point out how banks such as yours are microfilming at lowest cost. Then, he'll show you how you can get the microfilmer that's best for you on a *most attractive purchase or rental basis.*

Write today for new illustrated folder which makes a detailed side-by-side comparison of Recordak equipment easy. Recordak Corporation (Subsidiary of Eastman Kodak Company), 444 Madison Avenue, New York 22, N. Y.

RECORDAK
(Subsidiary of Eastman Kodak Company)

originator of modern microfilming—and its application to banking systems

"Recordak" is a trade-mark

The Recordak Junior Microfilmer combines microfilmer and film reader in one compact unit. Semi-automatic in operation.

The Recordak Bantam Microfilmer, the desk-top microfilmer that photographs documents at 40-1 reduction. Over 500 check fronts per minute.

The Recordak Duplex Microfilmer photographs fronts and backs simultaneously at high speed and high reduction ratio. Endorses or cancels in same operation.

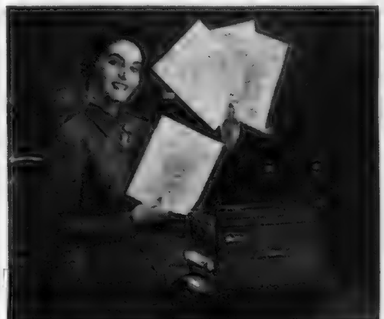
The Recordak Supermatic Microfilmer

—sensational new addition to the Recordak line:

- Records fronts and backs of documents simultaneously at 40-1 reduction ratio.
- Feeds over 500 checks per minute; new built-in feeder is as accurate as it is fast.
- Exposes two rolls of 16mm. film simultaneously.
- Gives you 3 methods of recording—*Duplex, Duo, Standard.*
- Lets you record at 5 reduction ratios.
- Uses 35mm. film as well as 16mm. film.
- Delivers documents in correct sequence to front receiving tray, above desk level.

The Recordak Triplex Microfilmer features Duo-type recording at high reduction ratio! Also photographs documents up to 14 in. wide on full film width.

The Recordak Commercial Microfilmer, low-cost efficient unit photographs fronts or fronts and backs, across the full width of the film.



P.S. See the sensational Kodak Verifax Printer, now distributed nationally by Recordak. "3 copies . . . made in 1 minute . . . less than 4¢ each."

An A.B.A. Study on Livestock Financing

DONOVAN E. CROULEY

The author is vice-president of the Northwestern National Bank of Minneapolis, Minnesota, and is chairman of the Livestock Committee of the Agricultural Commission, American Bankers Association. MR. CROULEY *recently received the Distinguished Farm Banker of Minnesota award of the Spencer Chemical Company.*

The Committee and some consultants at a meeting in Chicago. *Left to right around the table* (for complete identification of Committee members see page 66): Leroy Abbott; Wm. E. Drenner; H. W. Schaller, president, Citizens First National Bank, Storm Lake, Iowa; L. G. Galland; Tony L. Westra; A. G. Brown; Chairman Crouley; Edgar T. Savidge; Norman J. Wall, BAE, U. S. Department of Agriculture, Washington; A. C. Magee, Texas A. & M. College; Jesse W. Tapp, executive vice-president, Bank of America, San Francisco, and chairman, A.B.A. Agricultural Commission; H. F. Breimyer, BAE, U. S. Department of Agriculture, Washington; and V. S. Marett, president, Gonzola (Texas) State Bank. (Another member, John A. Reed, is not shown)

THE motto of the American Bankers Association could well be *semper paratus* (always ready), for I've noticed that when the need arises for a guide in some specific banking operation, an A.B.A. committee has usually anticipated the need. So it was in September 1950, when the Agricultural Commission of the Association decided to establish the Livestock Committee. The purpose of the Committee was and is to study trends in the livestock industry and to suggest how the banks can better serve the the industry and the U. S. economy as a whole through guidance to farmers in building and marketing livestock herds and providing sound financing.

As the current chairman of the Livestock Committee, it gives me genuine satisfaction to be able to report that *Livestock Financing,* a manual decided upon at a March 1952 meeting of the Commission in Roanoke, Virginia, is ready for release by our Committee. My predecessors as chairman of the Committee were J. H. Bloedorn, president of the Farmers State Bank, Fort Morgan, Colorado, and John T. Yantis, president of the First National Bank in Brownwood, Texas.

Foresight

Last year beef cattle prices went through what some considered a "normal price adjustment period" —others a lack of Government support policy—but, regardless of your viewpoint, the rapid price declines created a testing time for cattle men and their bankers. At that time the new manual, *Livestock Financing,* had already passed the blueprint phase and was actually well on its way to completion.

Now that prices have tended to stabilize and the near-panic that gripped the cattle growers has subsided appreciably, the lending atmosphere has clarified and banks are in a better position to appraise what lies ahead. Our manual represents the combined thinking and judgment of the entire Committee and other livestock specialists. Its drafters have an intimate knowledge of the cattle industry and a broad background of cattle loan experience. We believe that banks will find it an invaluable tool in this fluid period, although it is intended only as a guide and must be supplemented by sound, sensible lending policies and standards of procedure tailored to meet specific credit needs of farmers and ranchers.

Because it is felt that dairy cattle financing is a subject broad enough to warrant separate treatment, this manual is confined to beef cattle, hog, and sheep financing. Within recent years the Agricultural Commission has prepared other publications dealing with farm credit and one, in particular—*Agricultural Production Financing*—contains numerous forms and credit information that banks will find useful when making livestock loans. Because of the forms in the earlier manual, included in the new guidebook are those intended principally for illustrative purposes. As a matter of self-protection in every conceivable contingency, it is suggested that individual banks review their livestock lending forms with their own counsel.

Six Main Subdivisions

The text material, which includes several charts, is presented in simplified style under six main subdivisions; namely: "Livestock Financing"; "Breeder- and Range-Cattle Loans"; "Feeder-Cattle Loans"; "Breeder- and Range-Sheep Loans"; "Feeder-Lamb Loans"; and "Hog Feeding." There are several subheadings under each main division.

For example, in an introductory section devoted to "Livestock Fi-

(CONTINUED ON PAGE 66)

Memo

From
Dr. Robert Spitzer
DIRECTOR OF RESEARCH
MURPHY PRODUCTS CO.

To THE COUNTRY BANKER:

When you lend a farmer money to buy feed for his baby animals...remind him, that it's important that babies have FRESH FEED.

A "BUY" ON OLD FEED CAN BE VERY EXPENSIVE!

"It killed the chicks,
the entire brood.
Even a fox
wouldn't be that rude.
But feed deficiencies
came invited,
By stale feed that
couldn't fight-it."

Death rate increases when storage destroys feeds potency

Old feeds are pretty much like old dried out pieces of rubber . . . their snap is gone. Long periods of storage, heat, air, oxygen and mineral action all combine to speed destruction of key nutrients. In a very short time fat in feeds go rancid and ordinary vitamin A and D oils lose their potency. The growth-promoting power the feed once had is dissipated. Old feeds cannot give babies the kind of extra special health protection they must have to survive the dangers of their early days. The farmer who feeds old feeds with the key nutrient values destroyed is opening the door to disease.

The farmer who brings home a bag of ready-to-feed baby starter has more at stake than the money invested in the feed.

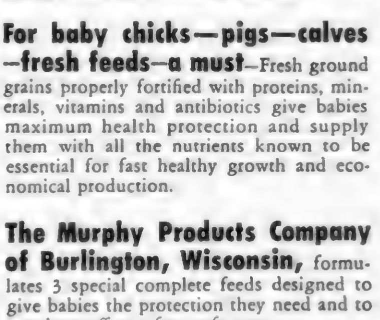
Old Feeds deficient in nutrients increase death rate—In recent experiments with chicks, a high death rate occurred when chicks were fed a ration deficient in Vitamin E. Death losses ran as high as 80% with a high incidence of paralysis (crazy chicks) and other symptoms of encephalomalacia. In old feeds vitamins are the first nutrients to be destroyed.

Fresh feeds reduce death rate

In the experiments with chicks, the death rate was greatly reduced when fresh feed supplying plenty of Vitamin E was fed.

For baby chicks—pigs—calves—fresh feeds—a must—Fresh ground grains properly fortified with proteins, minerals, vitamins and antibiotics give babies maximum health protection and supply them with all the nutrients known to be essential for fast healthy growth and economical production.

The Murphy Products Company of Burlington, Wisconsin, formulates 3 special complete feeds designed to give babies the protection they need and to get them off to a fast, safe start.



These complete baby starters are made from grain bought locally in the Burlington, Wisconsin area. The grain is gound fresh daily and is fortified with proteins, minerals, antibiotics and vitamins. (All MURPHY feeds eliminate the hazard of rancidity by using only stabilized Vitamin A and Vitamin D oils.) Recent findings at the Experiment Stations and colleges have shown that babies can profitably use higher levels of antibiotics than previously recommended. MURPHY'S NEW BABY STARTERS supply these new higher levels that offer babies the greatest protection.

Babies love the taste of MURPHY'S NEW STARTERS. They're fresh. Mixed fresh daily. Shipped fresh daily. A MURPHY dealer is only 48 hours away from the centrally located MURPHY plant in BURLINGTON.

Farmers who want to be sure they're feeding fresh feeds . . . need only be sure they're feeding MURPHY'S.

One-switch feeding program avoids many feeding troubles

Babies started on MURPHY'S NEW STARTERS can easily be switched to home grown grains and MURPHY'S CONCENTRATES. This simple one-switch feeding program avoids many of the troubles usually caused by changing feeds. Switching to MURPHY feeding program means a smaller cash outlay for the farmer and more profitable feeding results.

MURPHY PRODUCTS CO., Burlington, Wisconsin

593-B

An A.B.A. Study on Livestock Financing

(CONTINUED FROM PAGE 64)

nancing," we talk about management, operating setup (which includes land, buildings and shelter, equipment, and feed supply), and credit information. Under the latter we discuss the credit records that should be a part of the file on every livestock loan.

Since a good many of my readers will have an opportunity of examining *Livestock Financing* for themselves,* I shall not attempt to summarize the entire content, but rather mention only the main chapter subdivisions to indicate the scope of the material included.

Under "Breeder- and Range-Cattle Loans," we discuss the general classifications into which this type of borrower falls and then we take up (1) applications for loans, (2) use of funds, (3) estimates of future needs, (4) importance of a budget, (5) repayment schedule, (6) inspections, (7) the bank's decision, (8) loan closing, and (9) supervision and collection.

Federal Cattle Loans

We introduce the chapter on "Feeder-Cattle Loans" with a discussion of the oft-forgotten fact that feeding cattle is actually a manufacturing process. We then talk about (1) sources of feeder cattle, (2) types of operators, (3) feeding methods, (4) marketing, (5) cattle prices, (6) effect of beef production on prices of beef cattle, (7) seasonal variations in prices of feeder cattle, (8) credit considerations, and (9) servicing feeder-cattle loans.

Since the fundamentals of range-sheep lending are identical with those governing cattle loans, the chapter on "Breeder- and Range-Sheep Loans" is short, with space devoted to financing beginners.

Next we come to "Feeder-Lamb Loans." This chapter covers (1) types of operators, (2) feeding facilities, (3) types of feeding operations, (4) marketing, and (5) credit considerations.

Our last main topical heading is "Hog Feeding," which includes subdivisions covering (1) types of operators, (2) sources of feeder-pig supply, (3) types of feeding operations and facilities required, (4) marketing, and (5) credit considerations.

Real Function of Credit

During a panel discussion of "Livestock Financing" at the Agricultural Commission's National Agricultural Credit Conference in Chicago last November, Moderator Tony L. Westra, who is vice-president, Northwest Security National Bank of Sioux Falls, South Dakota, and a member of the A.B.A.'s Livestock Committee, quoted this statement from *Agricultural Production Financing,* previously referred to:

"'The real function of credit is to assist in placing the tools and materials of production in the hands of those who can make effective and profitable use of them. Banks serve their communities when they extend sound credit to farmers. Many farmers need credit to produce things people need and use. Thus, agricultural production loans benefit not only the borrower and the bank but the entire community as well.'"

Mr. Westra added this observation, to which I wholeheartedly subscribe: "This statement (above quotation) describes the real basis for livestock financing throughout the United States by the American banker."

The Committee

Other members of the Livestock Committee who shared in the writing of *Livestock Financing* are: Leroy Abbott, executive vice-president, The Guardian State Bank, Alliance, Nebraska; William E. Drenner, manager, livestock department, First National Bank, Memphis, Tennessee; Louis G. Galland, senior vice-president, Valley National Bank, Phoenix, Arizona; and John A. Reed, president, First National Bank, Kemmerer, Wyoming. Dr. Tyrus R. Timm, head, Department of Agricultural Economics and Sociology, Texas A. and M. College, College Station, Texas, was adviser to the Committee. *Ex officio* members of the Committee are: A. G. Brown, A.B.A. deputy manager, and Edgar T. Savidge, Commission secretary.

*One free copy will be sent, *upon request*, to each A.B.A. member bank and additional copies are obtainable at $1 each.

Economic Dilemma

(CONTINUED FROM PAGE 61)

there will have to be some sort of agricultural guarantee, security, insurance—call it what you like.

(2) If our industry is to prosper and industrial employment levels are to be maintained, again agriculture must have security and insurance in some form or other. I will go still farther. I doubt that some form of security or agricultural price or insurance in some form or other will ever be withdrawn from here on out forever. We have built our economy largely upon the fact that our agricultural income can buy and that it can provide prosperity for the manufacturer and the banker and employment for the worker.

There must be some degree of stability to the whole field of agricultural prices and the farmer must be protected against erratic and calamitous falls in prices which he is called upon to absorb almost entirely, while wages, profits, and costs elsewhere than on the farm remain static or actually rise. There must be some recognition as well of the fact—nonexistent in any other field of productive activity—that everything the farmer sells, he sells wholesale and that everything he buys he buys retail, and that he cannot, as can the industrialists, in many cases through tacit agreement or mere good business principles, come to an arrangement whereby certain commodities are tied more or less to a given and fixed price....

...Raising crops year after year is not striking oil or merely building a factory and turning on a switch. . . .

We couldn't give up agricultural supports no matter how much we desired it simply because we cannot afford to . . . and that goes not only for the farmer but for everybody. We have built the whole of our impressive economy to a high degree upon internal self-sufficiency and the keystone of that structure is the balance between agriculture and industry. It's too late now to do without the keystone.

NEWS *for Country Bankers*

This department is edited by MARY B. LEACH *of* BANKING'S *staff.*

Two A.B.A. "Best Sellers"

THE second booklet in the A.B.A.'s "Do and Don't" series is *How to Set Up an Audit Program in the Smaller Banks* (see page 58 December BANKING). This new booklet, like *Bank Teller's Do's and Don't's,* became a "best seller" almost overnight.

There is tremendous interest in the audit program study because of the large increase in dishonesty losses in banks during the past eight years. Since the study was distributed two months ago (one free copy to all A.B.A. members with assets under \$7½-million), the Country Bank Operations Commission has filled orders for over 2,500 additional copies. A complimentary copy is available upon request to banks in higher asset brackets.

An indication of the value placed upon this audit program study is the fact that the Comptroller of the Currency, the Federal Deposit Insurance Corporation, many of the Federal Reserve banks, and state banking supervisory offices have ordered copies to supply all their examiners.

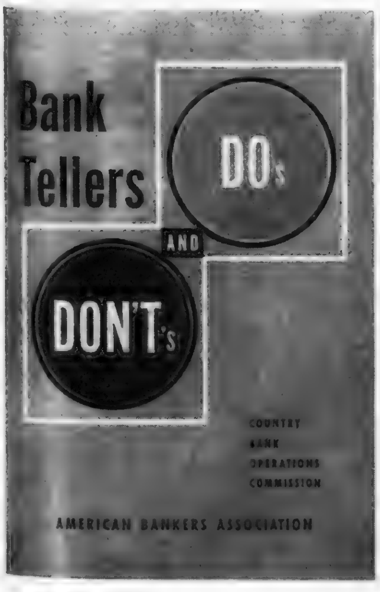
The supervisory authorities and practical country bankers consider that the A.B.A. program represents the minimum in audit requirements.

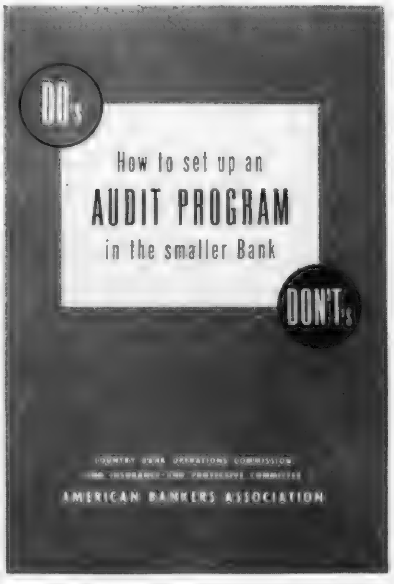
This study is also meeting the needs of state bankers associations, some of which had committees studying this subject during the period the A.B.A. was formulating its program. Many of the associations have sent special bulletins to their members calling attention to the audit booklet and are planning to use it in conducting banker study groups and classes on the subject.

Part I is devoted to the duties of directors and officers with reference to adopting the program, determining adequacy of bank policies, selecting an audit supervisor, and acquainting employees with the audit plan.

Bank Tellers Do's and Don't's, published by the Country Bank Operations Commission in March 1952, has gone into its second printing, with more than 42,000 copies already in circulation. Additional copies of this booklet and of the audit study publication may be obtained from the Commission at \$1 per copy.

Two of the many American Bankers Association's studies that have turned into "best sellers"





Survey Interbank Relations

WITH a view toward improving and expanding the use of correspondent bank relationships in meeting the credit needs of farmers, the Agricultural Commission of the American Bankers Association is conducting a survey of interbank relations in the farm lending field as they now stand, according to Jesse W. Tapp, chairman of the Commission. Mr. Tapp is executive vice-president of the Bank of America N. T. & S. A., San Francisco.

The Commission recently mailed to a selected group of larger banks a four-page questionnaire on their correspondent activities in the agricultural field. The information received will form a basis to study possible widening of agricultural correspondent banking, with resulting improved farm credit service.

4 First Credit Conferences

SINCE October 1, 1953, four state bankers associations have announced that for the first time they are holding agricultural credit conferences in cooperation with their land grant colleges. These credit conferences were scheduled as follows:

Nebraska Bankers Association
October 14-16, 1953

Arkansas Bankers Association
January 18-19, 1954

Alabama Bankers Association
January 24-27, 1954

Minnesota Bankers Association
February 18-19, 1954

With these additions, 42 state bankers associations are now spon-

In this picture a loblolly x slash pine hybrid bred at the Institute of Forest Genetics, Placerville, California, and shipped by air to Olustee, Florida, where it was successfully grafted onto a native slash pine. *Left to right*, Henry C. Coleman, president, Florida Bankers Association, Daytona Beach; George G. Ware, Leesburg; Francois Mergen, forest geneticist, Lake City Research Center; and Justin R. Weddell, president, Florida Forestry Association, Pensacola

soring agricultural credit conferences some time during the year in cooperation with their land grant colleges.

The Alabama Bankers Association launched its credit conference on the Alabama Polytechnic Institute campus at Auburn, with a buffet supper on Sunday evening. E. E. Anthony, Sr., president of The Commercial Bank, Andalusia, is chairman of the ABA's agricultural committee.

During the Alabama conference speakers discussed various aspects of agricultural production and financing, including Government restrictions; opportunities for expanding hog, sheep, poultry, and beef cattle production; poultry, farm machinery and equipment, beef cattle, and milk production financing; training bank agricultural representatives, etc. The program also included a banquet and visits to a broiler farm and API's beef cattle and dairy units.

A feature of the Minnesota conference was a bankers' scholarship luncheon honoring the agricultural short course scholarship students attending the University of Minnesota under MBA's scholarship program.

New Forest Fortunes Plan

FLORIDA bankers have adopted a program designed to add more than $75,000,000 a year to the state's economy by using 12-million acres of unused waste land for the production of a new crop of super pine trees.

Taking advantage of the scientific research facilities of the Lake City Research Center of the U.S. Department of Agriculture, the Florida Bankers Association is promoting the use of abandoned Florida land to develop new forests. A newly discovered cross-breeding formula is being utilized.

George G. Ware, chairman of the board, First National Bank of Leesburg, and former chairman of FBA's Forestry Committee, estimates that 3-million acres of unused Central Florida land can be made to produce a crop of super pine trees worth $19,500,000 a year in income. At the present ratio this size crop of raw timber would represent $222,000,000 worth of manufactured products.

Utah's Poultry Program

OUT of group discussions, in which the Utah Bankers Association participated, has been evolved a Young Farmers Poultry Development Program for Utah. The UBA's spokesman was F. C. Packard, chairman of the Agricultural & Livestock Committee, and president of the Springville Banking Company.

The principal purpose is to develop interest and "know how" among young farmers who may be in a position to enter the egg production business.

The 1954 program was launched with the vocational agricultural teachers in the state's high school areas selecting from one to three young farmer candidates. After selection, the candidates were introduced by their teachers to the county committees for counseling and discussion as to the possibilities of their getting into the business.

The county poultry development committees were selected and function under the direction and leadership of the county agricultural agents. The key banker of each county or area serves as a member of the committee. Other committee members will include, in addition to the county agent, a poultry industry representative, a leading poultry man from the young farmers' area, and a local vocational agriculture teacher.

An outline has been prepared containing suggestions for developing and planning an economical unit of poultry production.

4-H Reforestation Contest

MORE than 3,000 4-H Club members in seven Georgia counties are eligible to enter a reforestation contest announced recently in Augusta by the Georgia Railroad Bank and Trust Co.

Each contestant must have planted a minimum of one acre of pine seedlings. If a 4-H'er plants more than an acre, he may select his best acre to be judged. Planting must have been done between November 15, 1953, and March 15, 1954, either by hand or by mechanical planter.

The three best projects in each county will be reported to the bank and to district extension agents. The three county winners in each county will be judged between next September 20 and October 1, by a committee composed of three foresters who will be selected by the district agents, the state 4-H Club leader, and the Extension forester.

Points used in judging will include the survival percentage of planted trees; protection of area from fire, livestock, insects, and diseases; proper spacing and uniformity of stand; general appearance and condition of stand; records kept; and educational use made of the project, such as interesting

other 4-H'ers and adults in planting trees, giving demonstrations, etc.

The first, second, and third place winners from each county will be guests of honor at a recognition banquet in Augusta. The first place winner in each county will receive a $10 cash award and a certificate. Second and third place winners in each county will receive certificates. The three 4-H members having the most outstanding projects in the seven county area will be selected, with a cash award of $35 for first place, $25 for second place, and $15 for third place. These award winners also will be given certificates.

Instructions on planting and caring for the young trees will be given to the boys and girls by their own county farm agents and home demonstration agents.

Pine seedlings secured from any source will be accepted in the contest. Free seedlings are given away through 4-H clubs by private firms such as pulp mills and through other sources. The Georgia Railroad Bank and Trust Co. recently gave away 20,000 seedlings in Richmond County, through the farm agents and the forest ranger.

W. R. Wayland, honorary chairman of the board, Valley National Bank of Arizona, *right*, congratulates Les Mathers, *left*, of Mason City, Illinois, owner of the grand champion Shorthorn bull at the sixth annual Arizona National Stock Show in Phoenix. Mr. Mathers holds the handsome trophy bowl awarded by Valley National. Frank Snell, show president, *center*, adds his congratulations. More than 30,000 visitors thronged the fairgrounds, where the show was held

New Forestry Committee

FORMATION of a statewide Forestry Committee was announced recently by Walter A Cole, chairman, Agricultural Committee of the Kentucky Bankers Association and executive vice-president of The Lincoln National Bank, Hodgenville. The members of the new committee are: W. E. Blackburn, vice-president, First National Bank, Pikeville; Jack Strother, vice-president, The Commercial Bank of Grayson; Russell Hays, assistant cashier, Jackson County Bank, McKee; Ray Brownfield, agricultural representative, Bank of Murray, Murray; L. Felix Murray, cashier, Hart County Deposit Bank, Munfordville. Since each is currently serving on the association's Agricultural Committee, the group will function as a special or subcommittee of that body.

The committee will concern itself with two main objectives: First, keeping in close touch with educational, research, and industrial organizations working in forestry in Kentucky; secondly, recommending to the KBA Agricultural Committee ways and means by which the bankers of Kentucky may more effectively advance the forestry program of the state.

The KBA has earned acclaim as the first and only group of its kind to have a full-time agricultural representative on its staff.

Chairman Cole said: "Interest created as a result of the first banker-forestry meeting in Hazard last year, the first of its kind in the state, makes this move a very natural one. We are confident results will be beneficial to the people of Kentucky, the lumber interests and banking."

4-H tree-planting contest sponsors are shown discussing contest rules. *Left to right*, C. B. Presley, manager, agricultural department, Georgia Railroad Bank and Trust Co., Augusta; Dorsey Dyer, Extension forester; W. A. Sutton, state 4-H Club leader; and W. F. Bazemore, assistant agent, Richmond County

A Pat on the Back for Michigan Bankers

AN article entitled "Michigan Bankers Assist Out-of-School Farm Youth" appeared in the December issue of *The Agricultural Education Magazine* and reprints are being distributed. It was authored by Vernon Larson and Donald Shepard of the Department of Short Courses, Michigan State College.

"The present-day concept of considering one's banker as a friend and counselor certainly can most appropriately be used when discussing Michigan bankers," states the article. "Like other bankers, they have made and are making loans to help young men become established in farming. However, Michigan bankers have initiated a program that does even more."

The authors conclude their discussion of the MBA's agricultural scholarship plan with this statement:

"Michigan bankers surely should be complimented for their civic interest in making this program available to out-of-school rural youth. It does much to bring farmers and their bankers closer together."

Experts Study Livestock

BANKERS and farm experts met recently in Raleigh to study the possibilities of expanding livestock production in North Carolina, reports the North Carolina Bankers Association.

The existing unsettled farm situation, particularly in livestock pro-

(CONTINUED ON PAGE 136)

Uniform Commercial Code IV

Its Effect Upon the A.B.A. Stop-Payment Agreement

THOMAS B. PATON

MR. PATON *is assistant general counsel of the American Bankers Association and secretary of the Association's Committee on State Legislation. He is the author of the A.B.A. Stop Payment Agreement.*

THE Uniform Commercial Code appears to restrict the right of a bank to absolve itself by contract from liability if it fails to obey its customer's stop order. At the same time, there are provisions of value in the code which enable the bank to recoup its loss if it incurs such liability.

It cannot be denied that the exercise of a customer's arbitrary right to stop payment of his check places an unusual burden on the bank.

The report from one large bank that it handles 30,000 stop orders a year—an average of 2,500 a month—gives some idea of the operational difficulties to be overcome, if it is to be held strictly accountable for obeying the customer's orders. Even with well trained bank personnel and the use of improved methods, no bank can claim it has a fool-proof system. Not the least of the bank's difficulties are the legal problems involving the rights and liabilities of the bank, the customer, and third parties, the solution of which has for many years engaged the attention of the American Bankers Association.

Stop Order Effect

Under the common-law rule, which favors the customer, a stop order remains in effect indefinitely and a bank which inadvertently pays a check after payment has been stopped may not charge the amount of the check against the customer's account, nor under the majority rule can it recover the money from the party receiving payment if he is a bona fide holder, nor from the customer on the basis that he has been unjustly enriched.

The harshness of this rule is well recognized by both bank and customer. Can it be expected that a bank under all circumstances should guarantee that its customer's stop order will be obeyed? Should the customer expect his order to remain in effect indefinitely? Should not the bank be protected against wrongful dishonor of checks returned insufficient by reason of payment of the stopped check? Where a stopped check in the hands of a holder in due course is an enforceable obligation against the customer, who is not damaged, should he receive double value at the expense of the bank?

A.B.A. Took Action in 1925

The record shows that the American Bankers Association has taken some action partly to help solve these problems. In 1925, it prepared and recommended for adoption a statute which limits the effective period for six months. This is the Time Limit on Stop-Payment Act which has been passed in recommended or modified form in 40 states. Without such a statute or an agreement the stop order continues for an indefinite period or until the check becomes stale, which under many statutes is one year, six months, or a shorter period.

In 1925 the American Bankers Association recommended for approval of bank counsel a stop-payment agreement, to be signed by the customer at the time of opening his account. It is believed that this form, with possible variations, is widely used by banks throughout the country. To what extent it is enforced is unknown. As will be explained later, the agreement contains an exemption clause that has caused some difficulty. It reads in part as follows:

> "Depositor agrees not to hold the bank liable on account of payment contrary to this request *if same occurs through inadvertence, accident or oversight*, or if by reason of such payment other items drawn by the depositor are returned insufficient."

Perhaps justification for the bank's use of this protective agreement on signature cards and stop-payment order forms can be explained by stating that the procedure of handling these orders is of such a nature and involves such risks that the bank cannot legally or morally be held to strict accountability.

Further justification for the use of these protective agreements is found in the majority of court decisions which do not find in them anything illegal or opposed to public policy and which adhere to the principle of freedom of contract, although there are decisions to the contrary. In *American Law Reports*, 175 A.L.R. 80, 82, it is stated:

> "The majority of the cases support the view that a stipulation releasing the bank from liability for paying as a result of *inadvertence or accident*, in spite of the stop-payment order, constitutes a valid contract which is not void as against public policy.
>
> But there are also cases in which the opposite result has been reached, and where a contract relieving the bank from liabilities for its own negligence in not executing a stop-payment order has been held to be against public policy."

The majority of decisions in support of the agreement recognize that the words "inadvertence or oversight" refer to a kind of negligence from which the bank wants relief.

Code Follows A.B.A. Statute

How does the Uniform Commercial Code deal with these problems? It follows the A.B.A. Time Limit on Stop-Payment Act fixing the period at six months. It further provides that a check becomes stale at the end of that period. The code can be interpreted to limit the effectiveness of the A.B.A. stop-payment agreement. Section 4-103(1) provides that "no agreement can disclaim a bank's liability or limit the measure of damages for its own lack of good faith or failure to exercise ordinary care."

Although the term "ordinary

(CONTINUED ON PAGE 126)

In 1947 the chief U. S. delegate to the United Nations asked of his fellow delegates:

"Where will we find a place where railroads and wonderful highways and a great river all come together to bear the burden of humanity and of goods *and of communications . . .?"*

That place for the United Nations' headquarters was found in New York.

No city is more truly a meeting place for exchanging the goods of the world. Through the Port of New York flows about half of the $25 billion or more in cargoes that makes up America's foreign trade. Out go machine tools and farm implements . . . flour and fertilizer . . . bulldozers and bicycles . . . shoes and steel and petroleum and a thousand other items.

In come olives from Greece, woolens from Britain, cameras from Germany, cheeses from Switzerland, and many other products from many other countries—making overseas trade truly a two-way street.

The Chase knows this story of two-way trade; has helped to write many a chapter. In Greater New York alone, you'll find 29 Chase offices engaged in financing overseas trade . . . one in the very shadow of the U. N. Secretariat Building. Within the United States, the Chase has the largest correspondent system of any American bank. Abroad you'll find Chase branches and representatives' offices in Europe, Latin America, the Far East — and in market places around the globe Chase maintains close working relationships with leading banks.

If you have a foreign trade problem, why don't you talk to the people at Chase?

THE
Chase
NATIONAL BANK
OF THE CITY OF NEW YORK
HEAD OFFICE: Pine Street corner of Nassau
Member Federal Deposit Insurance Corporation

The Manufacturer Looks at Instalment Credit

A. ANTON FRIEDRICH

MR. FRIEDRICH *is professor of economics at Washington Square College, New York University.*

IN the January issue of BANKING appliance financing was considered from the point of view of the bankers. The present article presents the viewpoint of the manufacturer.

The manufacturer is interested in making and selling appliances; the banker is interested in lending—and in collecting the money advanced when it is due. In this latter respect, the inclinations of the banker are reinforced by periodic inspections of bank examiners. These interests obviously diverge, they sometimes conflict; and, as anyone familiar with the relations between the sales and credit departments of a business enterprise will testify, those who are interested in selling and those who are interested in being repaid money loaned do not always regard each other with the best of goodwill and cordiality.

In this instance, however, the impression one gets from various responses to the questionnaires is that each party — manufacturer and banker—respects the objectives and appreciates the problems of the other. Says one manufacturer: "We believe (banks) generally speaking, have done a good job for our appliance dealers and distributors. We have only the highest regard for the cooperation we received." Further we read: "Anyone who understands the problems facing a country banker, should recognize their inherent limitations that naturally prevent them from satisfying each manufacturer and distributor in the financing of their dealers." Says another: "in some areas, . . . they (bankers) have done a fine job in handling not only the dealer's floor planning but also his retail paper and have done the bulk of floor planning for our dealers."

The manufacturers were asked whether they believed that banks were providing adequate financial accommodations for dealers and their customers. One manufacturer answered with a positive "no" both for wholesale requirements and retail sales. Another replied with an equally positive "yes" on both counts. A third took a middle road with the diplomatic remark: "Obviously, no one would be completely satisfied. We know of many areas where bank appliance financing is excellent, and vice versa in many other areas."

What is adequate or not adequate is a matter of judgment and depends upon the standards one applies. What is more definite is the percentage of the total amount of credit granted by the several types of lending agencies.

Banks Lead in Appliance Financing

In the field of appliance financing, commercial banks are the major source of funds although their predominance varies considerably. One manufacturing company reports that 75 percent of all financial accommodation is provided by banks. The proportions in the case of another major supplier of appliances is much more modest. His estimate is that banks supply 54 percent of floor plan accommodation and an equal percentage in the case of retail sales. Other lending agencies supply 41 percent of the financial accommodations and the factory owned finance company supplies the remaining 4 percent. Another makes the general observation that "we know a substantial number of our dealers are receiving some part of their total floor plan requirements" from banks.

The difficulties and limitations of bank financing of appliances are not uniform throughout the field. In some areas difficulties seem to lie mainly in wholesale financing; in others, in retail financing. The more important line of division, however, seems to lie between the cities or metropolitan areas and the rural areas. It is in the rural areas largely where bank provisions are likely to fall short of the anticipations of manufacturers. In referring to retail financing, one manufacturer writes: "We do know that there are a large number of banks throughout the country, particularly in rural areas, that are reticent to engage in retail financing, or extend such credit under reasonably competitive arrangements."

"Limitations" Classified

It is in point to quote fully from the response of the representative of one of the larger manufacturers. He writes:

"We classify some of the inherent limitations (which restrict the country bankers from satisfying manufacturers and distributors) as follows:

(1) Overloaned.

(2) Conservative credit policies imposed by bank examiners.

(3) Primary obligations to make crop and other such loans in support of the economic welfare of the community. This sometimes limits the amount of credit to appliance dealers.

(4) Adherence to conservative lending policies, often determined by unqualified individuals from the standpoint of appliance and TV supply and demand and industry "know-how." Too few bankers or manufacturers are doing anything to correct this problem.

Commercial Banks' Major Source of Loans to Finance Appliances . . . Manufacturers' Repurchase Agreements . . . 10 "Inherent Limitations" for Rural Banks . . . Bankers and Appliance Manufacturers Have Common Understanding of Each Others' Problems

(5) Restricted dealer retail sales contract volume based on arbitrary ratios of dealer outstandings to net worth, without proper consideration given to quality of the portfolio.

(6) Low rates which, although sometimes self-imposed, restrict the amount of service a bank can profitably offer in this highly specialized field.

(7) Arbitrary holdbacks often without proper justification.

(8) Too highly selective wholesale and retail credit extension, often without qualified background and experience to determine equitable arrangements either for bank or dealer.

(9) Lack of experienced manpower within the bank to render proper service.

(10) Lack of trained collection manpower and sometimes even lack of intent to do an effective collection job on delinquent accounts, particularly where the rate structure supposedly includes payment to the bank for this service."

The above detailed list of limitations upon country bankers seems to break down into several kinds insofar as they imply or suggest corrective action.

(1) Where the primary obligation of rural banks involves restriction of appliance loans in order to provide adequate financing to farmers "to make crop or other loans in support of the economic welfare of the community," the limitation presumably lies beyond the control of the individual banker who cannot or perhaps should not be influenced by whatever steps manufacturers and distributors might take to stimulate his activity in appliance financing.

(2) Another set of limitations lies within the discretion of bank managements, such as "adherence to conservative lending policies," volume of dealer sales contracts "based on arbitrary ratios," "low rates," "arbitrary holdbacks," lack of "background and experience to determine equitable arrangements either for bank or dealer." These limitations upon rural bank appliance financing obviously involve issues far beyond the scope of this discussion. Assuming they are valid, they suggest the desirability of continuing the educational efforts which have already brought about extensive changes in the attitudes and practices of bankers.

A third class of limitations as listed above seems to be largely a result of the fact that rural banks are small and that those with whom they deal are also small. Small banks are not able to build a specialized staff experienced and trained "to render proper service." Many of the dealers they are asked to finance are small with only a few appliance units on the floor. Consequently, the costs of the paper work involved and the servicing necessary are likely to be high in relation to the dollar volume of financing. Many of the dealers are operating on a shoestring so far as capital is concerned. Just as the small bank may be inexperienced and unqualified "from the standpoint of appliance and TV supply and demand and industry know-how," so are the small dealers. Balanced inventories, projected sales for the month or quarter ahead, standard accounting, the implications and obligations of trust receipt financing often are not a part of their working knowledge. Their mortality, moreover, is high. Susceptible to the sales enthusiasm of the distributor or the factory, they often load themselves with an inventory that is larger than their capital can carry or is wise to finance.

It would be a mistake to exaggerate the seriousness of the difficulties which exist in the field of appliance financing. Since the end of the war the total sales volume of all appliances would run into the billions. Numerous new appliances appeared and have expanded their markets with startling rapidity. A drive through the countryside will provide ample evidence that whatever may be the limitations of rural bank financing, farmers have been able to get financial accommodation to buy television sets, along with household appliances, automobiles, and farm machinery. If one judges by results, a strong case can be made that the existing system of appliance financing has not been wholly inadequate. Its achievements far outweigh its defects.

Nothing, however, is perfect and there are not only opportunities but also good and sufficient reasons for improvements. It is to the credit of the manufacturers that they not merely complain of the limitations or engage in pleasant words of hopeful anticipations. They are doing something about it in terms of concrete programs of actions.

What Westinghouse Is Doing

Westinghouse has an extensive educational and promotional program, together with a repurchase program that assures those bankers in the plan that any losses they may suffer from both the retail and wholesale financing of Westinghouse appliances will be absorbed by the distributor and the factory. Perhaps we should let Mr. Gilbert, manager of the Retail Finance Division of the Westinghouse Electric Corporation, explain:

"Westinghouse, for the past eight years, has engaged in an educational and promotional program to induce bank interest in appliance paper. In 1945, contractual arrangements were developed with the Bankredit group of banks covering the 11 Western states, through the Bank of America. Westinghouse still enjoys contractual relationship with the Bank of America under the Bankredit program. Also since 1948, three distinct types of protection have been offered bankers nationwide to induce interest in floor plan

(CONTINUED ON PAGE 128)

The Electron in the Bank

EVERETT J. LIVESEY

MR. LIVESEY is vice-president and secretary, The Dime Savings Bank of Brooklyn, New York. The paragraphs below are based on a talk which MR. LIVESEY gave before the Savings and Mortgage Conference of the Connecticut Bankers Association.

WHY are we so interested in electronics these days? Are improvements needed in our operating procedures? Banking and other clerical routines have remained practically unchanged during the past generation, while industrial processes were being almost completely revolutionized. Basic operating methods on depositors' accounts are just about the same as they were when I first entered banking as a teller over 20 years ago. Anything as static as that is long overdue for improvement.

Those who study such things tell us that today we have 25 clerks for every 100 factory workers; in 1920, the ratio was less than half that. Office costs have scaled new heights, while production costs have been steadily lowered. Not only must we do more work today, but the work is more complex than ever before. At the same time, we are faced with the necessity of reducing operating costs. Obviously, there is a tremendous need for procedural improvements.

Just where does the application of electronics to business equipment stand? What are these machines like? How are they evolving? Let us consider them briefly.

Speedy calculation is the major advantage which electronic machines possess over mechanical equipment. This is because electrons can travel so much faster than the cogs and wheels of mechanical apparatus. These electrons, traveling at fantastic speeds through circuits controlled by a vacuum tube, can be properly "instructed"—that is, properly controlled—so that they can be harnessed to perform calculations.

The first problem is to put into the machine the basic information which it will be called upon to han-

(CONTINUED ON PAGE 76)

A Bank Saves 999 Hours, 50½ Minutes

THE first use of the "electronic brain" in bank cost analysis has been made by The National City Bank of New York jointly with the International Business Machines Corporation. A demonstration of the speedy results obtained by feeding the "problem" into a recently developed IBM calculator was held in the presence of National City operating officials and executives of the Corporation. What had taken more than 1,000 man-hours to accomplish in previous years was completed in exactly nine and one-half minutes.

The basic accounting task is one that arises at the beginning of each calendar year, when in January the bank sets up, for the balance of the ensuing year, budget allocations of expense across some 156 National City departments. A requirement is that costs must be distributed on a reciprocal basis where some of the expense of each department may be distributed to any or all other departments. Heretofore several months have elapsed before completion of the job.

In the picture above is shown the equipment which performed National City's assignment. While solving a typical problem, the calculator is capable of performing 14,000 mathematical operations a second.

Officials of both the bank and IBM appear in the picture below, as Ralph H. Thompson, right foreground, National City comptroller, receives from John G. Phillips, vice-chairman of IBM, the completed cost allocation report.

(CONTINUED FROM PAGE 74)

dle—the process the experts call "input." One way, widely used, is through the use of magnetic tape. Some of these magnetic tape devices are already operating at speeds of over 100 inches per second, with a half-inch tape. This adds up to an input speed of over 10,000 decimal digits per second. Wider tapes, with greater capacity, are being developed.

Photoelectric cells are in existence which can "read" punched paper tape at speeds of hundreds of characters per second, which is more than a 20-to-1 improvement since experiments started. In another area, information has been transferred from microfilm to magnetic tape, through the use of marks, by the Bureau of the Census.

The "Memory"

After the basic information for the operation at hand has been introduced into the machine, it must be stored until it is needed. There are several ways of doing this—magnetic tape, magnetic drum, mercury tank, or electrostatic tubes.

Thousands of units of information can be stored in a single tube. This information can then be read, written, or erased in a few millionths of a second. Tens of thousands of digits can be stored in a single magnetic drum, and any one of them recalled in thousandths of a second. A million items a minute is the searching speed claimed by one manufacturer.

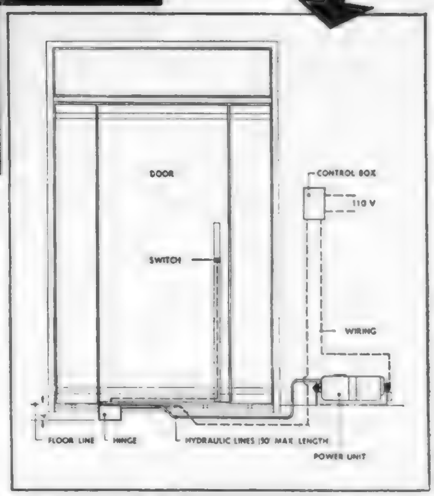
In one payroll application, there is stored in the memory drum various wage rates, bonuses, overtime, effective levels of taxes, special deductions, various scales of income tax allowances, and all the possible additions and deductions that need to be made to a person's gross salary before the employer can work out the net. Thereupon there need be introduced into the machine only the employee's gross pay with overtime, and his tax code. The computer checks this information against each item in the memory drum to see whether the individual qualifies for deductions, and a few seconds later gives the answer—in the number of bills and coins of each denomination needed for the pay envelope.

Here are some *existing* applications of electronics. The First Na-

(CONTINUED ON PAGE 78)

Why the PITTCOMATIC HINGE is a wise investment for your bank

Here's how the Pittcomatic operates: The power unit supplies hydraulic power to the hinge under the door through 3/8" copper lines. A 10-volt circuit in the handle passes through the control box and activates the power unit. The action of the door can be regulated by adjustments provided in the control box and the hinge. It is a safe door, because no power can build up.



• All over the country, bankers recognize the Pittcomatic as "the nation's finest automatic door opener." In fact, they have reported actual new business being traceable to the installation of Pittcomatic Hinges. For this device permits opening of heavy Herculite Doors at a touch! And, through such installations, their buildings have achieved a brighter, more modern look; old customers have been pleased, new ones have been attracted.

The operation of the Pittcomatic is truly magic-like. It operates on a simple hydraulic principle. There are no critical adjustments. No periodic attention is required, once the controls have been set. It is a double-acting power hinge, without visible operating mechanism. Entirely self-contained, the Pittcomatic functions on 110-volt house current. A one-third horsepower motor, which operates this hinge, is as inexpensive to run as a conventional home refrigerator.

For full details on the Pittcomatic, fill in and return the coupon.

Pittsburgh Plate Glass Company
Room 4185, 632 Fort Duquesne Blvd.,
Pittsburgh 22, Pa.

Without obligation, please send me complete information on the Pittcomatic door opener.

Name..................................
Address..................................
City .... State.......

PITTCOMATIC

. . . the nation's finest automatic door-opener

PAINTS · GLASS · CHEMICALS · BRUSHES · PLASTICS · FIBER GLASS

PITTSBURGH PLATE GLASS COMPANY

IN CANADA: CANADIAN PITTSBURGH INDUSTRIES LIMITED

(CONTINUED FROM PAGE 76)

tional Bank of Chicago has developed a "chex-writer," which punches cards automatically at the same time that a check or other original document is being typed. Key punching and verifying are accomplished automatically. Any part of the information punched into a card during the typing operation can be duplicated into the check or a typed card immediately without the use of any other equipment.

The First of Chicago also describes a piece of equipment applicable to the processing of travelers' checks which senses coded information in each check, and transmits that information to a summary reproducing punch where a card is punched for each check.

Premium notices, payrolls, and actuarial statistics are being prepared on an electronic calculator by The Mutual Life Insurance Company of New York. All of the utility billing at the Brooklyn Branch of the Consolidated Edison Company of New York is done on electronic equipment.

About 28,000 men working for the western region of the Pennsylvania Railroad are being paid twice a month through a fully integrated punched card system. The payroll is ready three days after the data are in shape for processing. The job is handled from gross to net pay in one run, with the electronic "brain" carrying 60 different programs.

On the Distant Horizon

When will fully automatic equipment be available? Answers vary widely, but on one point there is agreement. The development will be gradual, over many years. As more and more "bugs" are eliminated, and successive adaptations are proved one after another, business applications of electronic equipment will grow and grow.

Joseph Earl Perry, president of the Newton Savings Bank in Massachusetts, and an especially able leader in the field of savings banking, is chairman of the A.B.A. Savings and Mortgage Division's Committee on Electronics. He is currently in touch with a research firm in negotiations which we very much hope will result in new study on the application of modern machine and electronic techniques to bank clerical work.

Investment Abroad

(CONTINUED FROM PAGE 49)

of capital; along with different climatic, living, and housing conditions and costs.

Still another hazard of foreign investment arises in doing business in a country ruled under personal dictatorship. There is always uncertainty as to what will happen when the dictator passes from the scene or a new one arises.

In listing the major deterrents to investment abroad we do not imply that the climate is entirely black. There are many instances of successful direct investment by Americans abroad and examples of countries which treat foreign capital fairly. Our nearest neighbor to the north, Canada, is the outstanding exhibit of successful American direct investment on a large scale and to mutual advantage. Various countries desiring to stimulate foreign investment have been modifying their laws to make the environment more attractive for branch plants and the like. The Netherlands have made conspicuous progress in brushing away deterrents. The pressing U. S. need for foreign raw materials, such as oil, iron, and bauxite, has tended to outweigh foreign deterrents in recent years. During the same period various manufacturers, sometimes encouraged by ECA-MSA guaranties, have opened additional foreign plants as the only means of selling in "soft currency" areas.

However, the deterrents to more investment should not be underestimated. Even under the best of circumstances, from the standpoint of "trade not aid," the volume of American capital that will flow abroad is not responsive to mere exhortation by Government officials or prominent lecturers. There must be the inducement of profits commensurate with the risks abroad; and there must be reasonable assurance of converting the profits into "take-home pay."

Fortunately the colleges aren't so finicky yet that an amateur can't make a decent living in sport.

BANK LAW NEWS

Inheritance Tax—Usury

INHERITANCE TAX

MICHIGAN'S Supreme Court has held that a tax upon the transfer of property *"by deed, grant, bargain, sale or gift made in contemplation of the death of the grantor, vendor or donor intended to take effect, in possession or enjoyment at or after such death,"* does not fall upon money in a bank account passing by right of survivorship to one joint depositor upon the death of the other.

In Michigan, the court pointed out, a deposit made in the names of two persons in form to be paid to either or the survivor becomes, at the time of deposit, the property of both persons as joint tenants with right of survivorship. As such, it becomes the property of the survivor not by descent or distribution but by right of survivorship. Accordingly, there occurs no taxable transfer under the inheritance tax law.

That such need not always be the case also was pointed out by the court. It noted that both Michigan's Deposit in Two Names Act and its inheritance tax law were copied from those of New York and that, originally, a survivor's interest in a joint deposit had not been subject to inheritance tax under those laws. However, New York later had amended its inheritance tax law to make such an interest subject to tax. The Michigan legislature could follow New York's example and specifically make such interests subject to tax. In re Renz' Estate, 61 N.W.2d 148.

USURY

Corporation May Plead Defense of Usury Even Though Its Officers May Borrow At Such Rates As They Deem Expedient.

THE Florida Supreme Court has made it clear that in that state a corporation may now plead usury as a defense to the enforcement of obligations incurred by it.

In 1953 the Florida legislature revised and consolidated the state's corporation laws. In so doing it repealed, by number, a section of the old law which had provided: *No corporation shall interpose the defense of usury in any action in any court in this state.*

On the day the new law became effective, a corporation borrowed money at a rate of interest exceeding 10 percent per annum, the maximum contract rate of interest permitted in Florida. When the lender sought to enforce the loan, the corporation interposed the defense of usury.

The lender then sought to strike the corporation's defense on the grounds that repeal of the prohibition on pleading usury having been by section number only, it did not indicate the legislature's intent to permit such a defense.

This was particularly true, the lender argued, because another section of the corporation law authorized any corporation to *borrow money at such rates of interest and upon such terms as it, or its board of directors, may deem necessary or expedient and shall authorize or agree upon * * *.* Accordingly, the

(CONTINUED ON PAGE 82)

SUBCOMMITTEE ON UNIFORM COMMERCIAL CODE

At the meeting of the American Bankers Association Special Subcommittee on the Uniform Commercial Code, at the American Bankers Association Headquarters in New York City, January 20-23, are, *left to right:* Thomas B. Paton, assistant general counsel, A.B.A.; DeWitte Wyckoff, assistant counsel, A.B.A.; Robert H. Brome, resident counsel, Bankers Trust Company, New York City; E. D. Landels, counsel, California Bankers Association; Ben Corlett, vice-president, American Trust Company, San Francisco; G. F. Taylor, attorney, and director of Commonwealth Trust Company, Pittsburgh; Richard S. Douglas, counsel, Cleveland Trust Company; John A. Alexander, counsel, Indiana Bankers Association; Sherman Hazeltine, president, Bank of Arizona, Prescott; John René Vincens, assistant counsel, A.B.A. Mr. Hazeltine is chairman of the A.B.A. Committee on State Legislation, and Mr. Taylor is chairman of its subcommittee, of which Messrs. Brome, Corlett, Douglas, and Alexander are also members. As chairman of the A.B.A. Committee on State Legislation, Mr. Hazeltine is an ex officio member of the subcommittee. Messrs. Paton and Vincens are secretary, and assistant secretary, respectively, of both the Committee on State Legislation, and its Subcommittee on the Uniform Commercial Code. The Subcommittee is conducting an intensive study of the provisions of the Codes. It will hold another 3-day session at White Sulphur Springs, West Virginia, immediately prior to the Spring Meeting of the Executive Council, and will report its final recommendations to the American Bankers Association at the convention at Atlantic City, October 17-20

(CONTINUED FROM PAGE 80)

lender argued, the defense of usury is unavailable to a corporation, without regard to the existence of any other statute.

A trial court granted the lender's motion but, on appeal, the Supreme Court quashed the order. It held that the repeal of a statute by number is effective and, in addition, that in this case the journals of the legislature specifically showed an intent to repeal the prohibition on corporations pleading usury. It then noted that the 1953 legislature also amended the second law in question so that it now provides that a corporation may borrow money at any rate of interest agreeable to its officials *"unless otherwise provided by law."* Thus, said the court, there is "no doubt whatever in our minds" that the legislature "clearly intended to make the usury laws of this state applicable to artificial persons as well as individuals and we hold that under the laws existing at this time that was the result."

Whether a contract of a corporation to pay usurious interest would, under the new law, be *ultra-vires* and thus void, was not discussed. Sodi, Inc. v. Salitan, 68 So.2d 882.

JOHN RENÉ VINCENS

From Texas: This snorkel-in-reverse of Merchants National Bank in Port Arthur. The bank had no basement, so it adapted a snorkel unit for second-floor operation. The unit's operation is the same as for normal snorkels, except that transactions go in different directions—up for down, and down for up. The teller in the unit enjoys a distinct advantage over one in a regular unit—he has a real vantage point instead of just a periscope view

NOW, FOR THE

First Time!

Complete Mechanization for the Commercial Loan Teller

BURROUGHS STREAMLINED CONTROL PLAN

- **Mechanical control of all new notes and interest, with a record for the borrower.**
- **Mechanical endorsement of all note payments, with a receipt for the borrower.**
- **Automatic daily totals of new loans, loan payments and interest for fast teller balancing.**
- **Mechanical proof of all note balances.**
- **Segregation of miscellaneous items under total for periodic release to proof department.**
- **Elimination of pen-and-ink operations and many auxiliary records.**
- **A simple distribution operation to provide totals for the General Ledger by note class.**
- **A neat, accurate Liability Ledger with complete credit history.**
- **Improved delinquency control.**
- **Greater protection through improved audit control.**

At last it is possible to mechanize all the operations of your loan teller with Burroughs Streamlined Control Plan—whether recording new notes, making loan disbursements, receiving loan payments, handling miscellaneous business or balancing out the day's work.

Consolidated records of every business transaction are machine posted immediately . . . all transactions are entered on the daily journal and may be totalized at any time . . . balancing becomes just a count of cash . . . accuracy is automatically enforced.

And this same versatile Sensimatic Accounting Machine posts an improved Liability Ledger with typical speed and ease.

Burroughs Streamlined Control Plan is another example of a better banking system made possible by the versatile *BURROUGHS SENSIMATIC ACCOUNTING MACHINE.*

Call your nearest Burroughs branch—listed in the yellow pages of your telephone directory—and ask for the booklet "Streamlined Control for the Commercial Loan Department." Burroughs Corporation, Detroit 32, Michigan.

WHEREVER THERE'S BUSINESS THERE'S Burroughs

BANKING NEWS

G.S.B. Prepares for 1954 Resident Session by Naming Two New Faculty Members

Five New Special Lecturers Will Speak to June 14-26 Classes

Two new faculty members and five new special lecturers have been named for The Graduate School of Banking's summer session next June, it was announced recently by Dr. Harold Stonier, director of the School. The G.S.B. is a school of advanced banking study for bankers of officer rank conducted by the American Bankers Association at Rutgers University, New Brunswick, N. J. This year's summer session, to be held on the Rutgers campus June 14 through June 26, will be attended by over 1,000 bank officers.

The two faculty members for the 1954 session are Joseph A. McClain, Jr., dean and professor of law, Law School, Duke University, Durham, N. C.; and Casimir J. F. Patrick, vice-president and general counsel, The New York Savings Bank, New York City. The five new special lecturers are Clinton B. Axford, editor, *American Banker*, New York City; Carlyle A. Bethel, senior vice-president and trust officer, Wachovia Bank and Trust Co., Winston-Salem, N. C.; J. Stanley Brown, vice-president, Chemical Bank and Trust Co., New York City; James A. Close, trust investment officer, The Merchants National Bank and Trust Co., Syracuse, N. Y.; and John M. Cookenbach, assistant vice-president, The Pennsylvania Company, Philadelphia.

Annual Organization Meeting

The new men will be introduced to the School's faculty at the annual organization meeting at the Columbia University Club, New York, Friday, March 12. The purpose of this meeting will be to make final plans for the summer session which will have a total faculty of 58 plus 35 special lecturers.

The faculty meeting will open with a luncheon, followed by individual meetings of the faculty groups of the School's four major fields—commercial banking, savings management, investments, and trusts.

In the evening, the Metropolitan Group, G.S.B., will hold its annual reunion reception and dinner in the Columbia Club, and the faculty members have been invited to attend. The Metropolitan Group consists of alumni and New York City area students.

Joseph A. McClain C. J. F. Patrick

Bank Management Commission Meets to Review Work and Make Plans for Coming Year

Annual Executive Session Held in New Orleans February 17-19

With a view toward providing better service for bank customers and increased operating efficiency within banks, the members of the Bank Management Commission of the American Bankers Association met in New Orleans, February 17-19, to discuss projects to improve bank procedures and systems. Raymond C. Deering, chairman of the Commission and vice-president and comptroller, Manufacturers Trust Company, New York City, presided.

Executive Session

The New Orleans meeting is an annual executive session of the Commission. During the three days, the Commission's fourteen members from various sections of the country reviewed the work of the past year and considered new projects for next year.

Among the outstanding projects completed by the Commission during the past year was a manual on night depository procedure and a standard return item ticket.

The Commission's projects now in progress include work on check standardization and simplification, cost accounting, a study of mechanization of check handling within banks, a program for direct return of unpaid items, a manual on safe deposit procedure, a revision of a manual on banking procedure and forms, a revision of transit instructions, simplification of bank endorsement stamps, an audit program for departmentalized banks, and preparation of a uniform life insurance assignment questionnaire.

Members of the Commission, in addition to Mr. Deering, are: W. W. Cottle, vice-president and cashier, Security-First National Bank of Los Angeles, California; W. Dale Critser, vice-president and cashier, Fourth National Bank in Wichita, Kansas; W. M. Early, Jr., president, The National Bank of Orange, Virginia; Horace S. French, president, Manufacturers National

(CONTINUED ON PAGE 86)

Bank Presidents Consider Development of Executive; A.B.A. to Publish Manual

New England Meeting Is First In Series for Many Areas

The first of a series of conferences on executive development was held in Boston on February 24 and 25 by the Department of Customer and Personnel Relations of the American Bankers Association.

Attendance was to have been limited to presidents of 20 New England banks with deposits between $5,000,000 and $20,000,000. This had to be expanded to allow for 30 bank presidents, representing every New England state.

Discussion leaders included William Powers, director of Customer and Personnel Relations of the A.B.A.; George B. Ward, assistant director; and John Patterson Currie, authority on labor and employee relations who has worked with more than 50 commercial and savings banks on management and personnel problems.

Manual on Selection

The series of meetings is to culminate in the publication of a manual on executive selection, training, and development. The four major topics for discussion were grouped under these headings: Management continuity—the problem in many banks; guides for determining job requirement; appraising personal performance and potential; development or recruitment.

Many smaller- and medium-sized banks have asked the A.B.A. for assistance with the problem of management succession. The series of conferences for bank presidents has been planned to discuss the problem in order to develop ways of analyzing executive positions and the men who may be considered candidates for these jobs, and to explore practical methods of training and developing those selected.

The next meetings in this series are scheduled for: Philadelphia, March 17-18; Cleveland, March 29-30; Richmond, April 21-22.

23 State Association Representatives Attend Regional U. S. Savings Bonds Meeting

U. S. Treasury and state association representatives from five Mid-Atlantic states meeting in New York. Chairman Neal is seated at the right at far end of conference table. Wm. T. Wilson, A.B.A. Savings Bonds adviser, is at Mr. Neal's right

Forty-three representatives of state bankers associations from five Mid-Atlantic states and representatives of the U. S. Treasury Savings Bonds Division met in New York on February 4 at the Federal Reserve Bank to discuss promotion of sales of U. S. Savings Bonds during 1954. The meeting was devoted to activities of state bankers associations which will be carried on at the local level to sell Savings Bonds to individuals. It was one of the regional meetings sponsored by the Savings Bonds Committee of the American Bankers Association. William H. Neal, chairman of the A.B.A. Committee, and senior vice-president, Wachovia Bank and Trust Co., Winston-Salem, N. C., presided. Besides New York the states represented were: New Jersey, Connecticut, Delaware, and Pennsylvania.

"Every citizen and every banker has a responsibility for constructive efforts toward a sound economy," Mr. Neal told the meeting. "Every one of the nation's 15,000 banks and every banking association in the country can be most effective and most helpful in establishing and maintaining a sound economy in this country by giving renewed, vigorous support to the U. S. Savings Bonds Program.

"The fact that 40-million people hold $36.5-billion of 'E' and 'H' Bonds is of tremendous importance in the debt management program, and sound debt management is essential to sound money. In 1954, $5.6-billion of series 'E' Bonds mature. The maturities for 1955 total $4.4-billion. While many 'E' bondholders will keep their bonds beyond maturity, an aggressive promotional effort will nevertheless be needed simply to keep Savings Bond holdings at their present level. Unless the public is persuaded to purchase new 'E' and 'H' Bonds in substantial amounts, the Treasury will be required to borrow from other sources to offset these redemptions. If we can push sales beyond redemptions, it will help retire bank-held Government obligations and get a larger portion of the debt into the hands of private investors."

A.B.A. and Federal Reserve Officials Meet in Philadelphia to Hear Progress Reported About Adopting Nationwide System for Direct Return of Unpaid Items to First Endorser

Definite progress toward its objective of nationwide adoption of a system for direct return of unpaid checks to the first bank endorser has been reported by the Bank Management Commission of the American Bankers Association. The Committee on Return of Unpaid Items of the A.B.A. Commission has been working for some time to devise such a plan.

At a recent meeting in Philadelphia with representatives of the Federal Reserve System, the proposed procedure in a form deemed satisfactory for submission to banks throughout the country was agreed upon. The Bank Management Commission will now submit the plan to its "Key Operating Men" plus an additional representative list of banks of various sizes. These bankers will be asked to give their opinions, comments, and suggestions on the procedure. If the plan is considered satisfactory to these representative bankers, the Bank Management Commission will initiate the further steps necessary to place the plan in effect nationwide.

The first step in speeding up check collections through direct return of unpaid items was taken by the Bank Management Commission about 18 months ago with the announcement of its approval of a preliminary plan. Since that time, the Commission has been working cooperatively with representatives of the Federal Reserve System to improve that plan and to develop a statement of the procedure that the Commission hopes will be acceptable to the banks of the country.

Delays in returning unpaid checks from banks on which they are drawn to the banks in which they were initially deposited have been a problem both to banks and their customers for years. Customers, for example, have learned at times only after several days or a week or more have passed that a check accepted in payment was drawn on insufficient funds or a nonexistent account. These delays have been an aid to unscrupulous purchasers of goods and services.

In recent years, deferred posting, in force in all but one state; Saturday bank closings; other bank holidays; and delays in mail service have all tended to slow down considerably the return of unpaid items to the first bank endorser. The Bank Management Commission stated that "It is not unusual for a week or more to elapse before an unpaid item is returned to the first endorsing bank even though the banks involved are located in the same Federal Reserve district. Such a situation does not help banking and can readily create possible losses not only to the banks but to their depositors."

Representing the Bank Management Commission of the A.B.A. at the meeting in Philadelphia were: G. Edward Cooper, vice-president and comptroller, The Philadelphia National Bank, chair-

(CONTINUED ON PAGE 86)

"Monetary Policies and the Federal Reserve System," Institute Speaking Theme

"Monetary Policies of the Federal Reserve System" will be the subject for the public speaking contests to be held during March within individual chapters of the American Institute of Banking, according to Jerry Meacham, Jr., of The Ohio National Bank, Columbus, Ohio, who is chairman of the A.I.B.'s National Public Speaking Committee.

The chapter contests are the first step in the selection of the participants for the National Public Speaking Contest for the A. P. Giannini Educational Endowment prizes at the A.I.B.'s annual convention in Los Angeles, next June 7-11. Members of the individual chapters will compete against each other in these contests, and each chapter winner will go on to compete in the district contest for his respective geographic area. Winners of the district contests will in turn compete in two semifinals in Los Angeles immediately preceding the convention, where the six contestants for the National Contest will be chosen.

General Theme

Mr. Meacham had previously announced that the general theme for the 1954 public speaking program would be "American Monetary and Fiscal Policies." A different specific phase of this theme will be used as the subject for each step in choosing the contestants for the final contest.

Management Commission

(CONTINUED FROM PAGE 84)

Bank of Chicago; Orval U. Habberstad, president, Union National Bank, Rochester, Minnesota; Richard G. Kimmerer, president, First National Bank of Canajoharie, New York; Arthur McCormack, assistant vice-president and comptroller, The First National Bank of Miami, Florida; Frank M. Moody, vice-president, First National Bank, Tuscaloosa, Alabama; John M. Patton, president, Mitchell (South Dakota) National Bank; Harold E. Randall, vice-president and comptroller, The First National Bank of Boston; Harry C. Schaefer, vice-president, National Bank of Detroit; Russell S. Weatherwax, president, Oglesby-Barnitz Bank and Trust Co., Middletown, Ohio; Al R. Weinhandl, president, First National Bank in Minot, North Dakota; and Melvin C. Miller, deputy manager of the American Bankers Association, secretary.

The A.B.A.'s Country Bank Operations Commission was represented at the New Orleans meeting by its secretary, George R. Amy, deputy manager of the A.B.A.

A.B.A.'s "Public Relations Opportunities and Tools" Wins PR Merit Award

"Advertising in Action's" 6-Man Panel Selected Association Guide

The American Bankers Association has received a merit award for outstanding work in the public relations field from *Advertising in Action*, a publication of Standard & Poor's Corporation. The award was conferred on the A.B.A. as a result of its booklet, *Public Relations Opportunities and Tools*, which was published by the Association's Public Relations Council last July.

Advertising in Action is devoted to advertising and public relations ideas in the fields of banking and investments. Each month a panel of six leading men in advertising and finance selects from one to five organizations to receive merit awards for promotion projects of particular distinction. It is this award that the A.B.A. has received. The Association will now be eligible for the *Advertising in Action* national trophy, presented annually award winner considered to have done the best promotion job during the entire year.

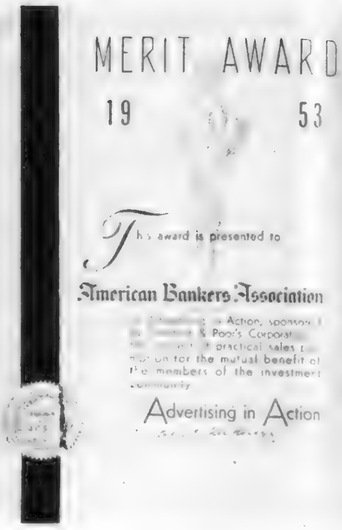
In citing the A.B.A. booklet, *Advertising in Action* noted that it "stresses the continuing need for sound public relations policies and programs at the local bank level and acquaints the A.B.A. members with the comprehensive range of facts and ideas, information and materials available for their adaption and use—films, bulletins, news letters, school aids, speech services, workshops, and many others."

Return of Unpaid Items

(CONTINUED FROM PAGE 85)

man of the Committee on Unpaid Items; W. M. Early, Jr., president, The National Bank of Orange, Virginia; James H. Kennedy, vice-president and cashier, The Philadelphia National Bank; Harold E. Randall, vice-president and comptroller, The First National Bank, Boston; John T. Walters, comptroller, First National Bank, Scranton, Pennsylvania; Melvin C. Miller, deputy manager of the A.B.A. and secretary of the Commission; and Henry M. Sommers, secretary and assistant general counsel of the Association.

Also attending the meeting was the Federal Reserve Subcommittee on Collections, of which Valentine Willis, vice president, Federal Reserve Bank of New York, is chairman; and the Federal Reserve Subcommittee of Counsel on Collections, of which Paul C. Hodge, general counsel, Federal Reserve Bank of Chicago, is chairman.



Rapid Increase in Bank Banditry Is Discussed in March Protective Bulletin

Writing on "Banks Can Beat Banditry" in the March issue of the *Protective Bulletin*, James E. Baum opens the discussion with these statements: "This subject might be amplified to read 'Banks Can Beat the Bandit'—if more and more banks would only give it a real try. Or it could well be titled 'The Thirty Years' War Between Banks and Bank Robbers.' Banks in that war who were prepared for attack by robbery tried and succeeded in beating the bandit."

"Beginning with the bank holiday in March 1933," Mr. Baum said, "bank holdups showed a steady decline until 1944 when they reached a modern low of 23 holdups which found the bandits taking loot of $60,000, a drop of 98 percent. Since 1944 the bank bandit has been appearing in greater number each year as evidenced by this table:

Year Ended Aug. 31	*Frustrated Holdups*	*Holdups*	*Loss*
1944	10	23	$ 58,454
1951	14	60	492,882
1952	24	101	638,489
1953	51	137	1,098,530

"Ninety-six, or 70 percent, of the 137 successful holdups during the past year were staged by lone bandits, eight of whom were women. In the 41 other robberies, the number of bandits ranged from two to five. One characteristic of bank bandits of today is that they continue selective in showing preference for the smaller banks or outlying branches. Another sameness is that more than half of their victims were located in small communities."

Six Suggestions on How Banks Can Help Small Business Are Offered by American Bankers Association President E. D. Reese

"Bankers must accept risks as part of their business or face a very real clamor for more Government credit and guaranties," Everett D. Reese, president of the American Bankers Association, said in an address at the midwinter banquet of the Connecticut Bankers Association in New Haven. "Sound and intelligent bank supervision by governmental supervisory authorities," he said, "can make an important contribution in recognizing that banks are engaged in private enterprise and in a risk business. Supervisors should not take such a critical attitude toward the business loans of banks as to drive them into an overzealous interest in Government guaranteed loans.

"I have six suggestions that I urge bankers to follow in their work with small business:

"(1) Learn more about small business, its problems, and its needs.

"(2) Serve the credit needs of small business constructively and resourcefully.

"(3) Help small businessmen in every way to become more competent by: (a) Aid, counsel, and advice; (b) small business libraries in banks; and (c) business clinics.

"(4) Build valuation reserves against loan accounts and other assets.

"(5) If the needed credit cannot be supplied by banks, cooperate with movements to attract supplementary money such as the Maine Development Corporation and similar organizations in other states.

"(6) Avoid using Government credit agencies as an umbrella for credit extension.

"A realistic approach to reserves against losses requires special attention. It is very important for bankers to realize that lending money is a 'law of averages' business. A certain percentage of loans will go bad, and it is only common sense that the bank should have a cushion against these losses. If an amount large enough to cover reasonable losses is set aside as a reserve, that cushion is available if the losses come along. One reason why these reserves are especially desirable is the 'catastrope feature'—that is, the tendency for a number of loan losses to come all within a short period of time. Since the reserve has been building during the period of low loss experience, the bank is amply covered if the going gets tougher.

"Adequate reserves against losses permit the bank's lending officer more freedom in making new loans and allows a greater amount of constructive lending. When he knows that possible losses are covered by reserves, the lending officer can judge each loan on its own merit with greater freedom and with less fear of criticism from examiners and his superiors. The result is more good loans and better service to the customer."

New Direct Mail Folders Released by Advertising Department in February

Three new direct mail folders were offered last month by the Advertising Department of the A.B.A.:

(1) Blue and gold 50th anniversary folder (also available in silver and blue combination), which expresses the bank's appreciation to its customers for their patronage.

(2) Two colored (yellow and blue) bank-by-mail folder entitled "Rain or Shine . . . the *mailman* will *deliver* your deposits to our bank."

(3) Blue and brown home improvements loan folder, illustrated with a carpenter pointing to a new home. The catch line on the front fold reads: "*Its a* (bank name here) *financed job.*"

News for Instalment Credit Men

Items and Comment from Our Instalment Credit Commission and Other Sources

New Interest in Boat Credit

THERE'S a notable increase in banker interest in boat financing according to *The Boating Industry,* a trade paper published at St. Joseph, Michigan. The paper ran in its January 15 issue a story on a boat financing service being offered in Philadelphia, and received reprint requests from more than 200 bankers all over the United States. This, says publisher Jim Peaslee, "shows there must be a tremendous interest in this type of financing."

AVCO's Finch to I.T.&T.

ROBERT FINCH, known to bankers as originator of the AVCO Security Plan for financing appliance dealers through their local independent banks, has joined the International Telephone and Telegraph Corporation as manager of distributor and dealer financing for the Capehart-Farnsworth and Coolerator divisions.

The AVCO Security Plan was reported in these columns in last month's BANKING.

Says Increased Population Makes Bigger Credit Need

PHILIP WOOLLCOTT, chairman of the A.B.A. Instalment Credit Commission and president of The Bank of Asheville, North Carolina, had this to say at the recent National Credit Conference in Chicago:

"Undoubtedly in this period when production has caught up with consumption . . . we should get busy on our policy making because we may not have too much time to catch our breath. On December 31, with the headline of Washington, there appeared a short item in our newspapers published by the U. S. Census Bureau. It said that the estimated population of the United States for January 1, 1954 was 161,200,000—2,700,000 higher than the estimate of one year ago and 10,000,000 greater than at the 1950 census.

"The question is not where is the volume of business to come from but how are we going to develop the means of handling it. Because economic conditions as we view them today present a slightly clouded picture, let's not run to cover and with faces hidden, let other financial agencies—maybe even a new Government agency—get the business of these millions of people."

National Instalment Credit Conference, La Salle Hotel, Chicago, March 22-24

THE tentative program of the National Instalment Credit Conference of the A.B.A. at the La Salle Hotel, Chicago, March 22-24, has been announced by Philip Woollcott, chairman of the Commission and president of The Bank of Asheville, North Carolina. It features representatives of government, banking, industry, agriculture, and distribution.

The tentative program follows:

First Session

Monday, March 22, 10 A.M.

Presiding: Mr. Woollcott.

Address: Homer J. Livingston, vice-president, A.B.A., and president, The First National Bank of Chicago.

Address: J. L. Robertson, Board of Governors, Federal Reserve System, Washington, D. C.

Address: Charles C. Freed, president, National Automobile Dealers Association, Washington, D. C.

Second Session

2 P.M.

Panel: Collections and Repossessions—Fred H. Diefenbacher, *moderator,* assistant vice-president, The National City Bank of New York; Donald E. Christie, vice-president, Indiana Trust Company, Indianapolis; Edward G. Donnelly, assistant vice-president, The Pennsylvania Company for Banking and Trusts, Philadelphia; additional member to be announced.

Panel: Indirect Financing (Automobiles — Appliances — Home Improvements)—John L. Gibson, moderator, vice-president, Republic National Bank of Dallas; Paul R. Geisinger, vice-president, The National City Bank, Cleveland; Edward M. Landis, vice-president, Anglo California National Bank, San Francisco; Harold R. Moore, vice-president, State Bank of Albany, New York.

Third Session

Tuesday, March 23, 9:30 A.M.

Address: Arthur O. Dietz, president, C.I.T. Financial Corporation, New York.

Address: Courtney Pitt, financial vice-president, Philco Corporation, Philadelphia.

Address: Fred F. Florence, chairman, A.B.A. Credit Policy Commission, and president of the Republic National Bank of Dallas, Dallas, Texas.

Fourth Session

2 P.M.

Panel: Operating Efficiency (systems—controls—costs—reserves)—Alexander Gunther, *moderator,* vice-president, The First National Bank of Philadelphia; Edward Leone, auditor, Manufacturers Trust Company, New York; Edwin B. Thorpe, vice-president, Union Trust Company of Springfield, Massachusetts; Paul H. Young, vice-president, The Boatmen's National Bank of St. Louis.

Panel: Management Problems and Policies—Paul M. Welch, *moderator,* vice-president, The Citizens and Southern National Bank, Atlanta, Georgia; Carl Bimson, president, Valley National Bank, Phoenix, Arizona; others to be announced.

Fifth Session

Wednesday, March 24, 9:30 A.M.

Address: Thomas C. Boushall, president, The Bank of Virginia, Richmond.

Address: By farm equipment manufacturer (to be announced).

Address: Raymond Rodgers, economist, New York University.

Summary: Mr. Woollcott.

News on Savings

Items and Comment from Our Savings and Mortgage Division and Other Sources

New York Branch Tiff

"THE controversy between New York State's commercial banks and savings institutions over the latter's attempts to establish additional branch offices has now become a national issue," said George A. Mooney in the February 14 issue of *The New York Times.*

"For more than three years," Mr. Mooney wrote, "while the state's commercial and savings banks have been battling over branches, Federal savings and loan associations have forged ahead, establishing offices where business warranted. The banks, of course, have not been unaware of the development."

Mr. Mooney stated that "although commercial banks have succeeded in blocking savings banks' attempts to obtain broader branch office powers from the state legislature, neither side has gained either clarification of its position or additional operating advantages."

Savings Conference

THE annual Savings and Mortgage Conference and the National School Savings Forum of the American Bankers Association will be held at the Statler Hotel in New York on March 2-3.

The program covering these meetings may be found on page 112 of February BANKING. The Conference and the Forum will be reported in our April issue.

A.B.A. Against Proposed FHLB's S&L Branch Changes

SPOKESMEN for the American Bankers Association came to the vigorous defense of states' rights in banking again on February 1 in testimony before the Federal Home Loan Bank Board in regard to its proposed amendment to FHLB regulations relating to branch offices.

A.B.A. witnesses were George R. Boyles, chairman of the A.B.A. Committee on Federal Legislation, and president of the Merchants National Bank in Chicago; and Paul A. Warner, president, Oberlin (Ohio) Savings Bank Co.; chairman, A.B.A. Savings and Mortgage Division Committee on Federal Legislation.

Mr. Warner told the Board that the establishment of branches of Federal savings and loan associations should be subject to the same limitations that apply to state-chartered associations, that branching privileges should be dealt with by legislation rather than by regulation, and that Federal administrative agencies should not adopt regulations that would have coercive effects upon the states.

The basing of Federal savings and loan association branch offices on the branch privileges of all other financial institutions authorized to provide savings, thrift, or home-financing facilities was scored by Mr. Warner as being "so broad and all-inclusive as to amount to almost no limitation at all on the establishment of branches of Federal savings and loan associations. The proposed regulation does not even prohibit the establishment of branches across state lines under certain circumstances," he pointed out.

National-State S&Ls

"With respect to branches, national banks are governed by the same restrictions which apply to state-chartered commercial banks," he continued. "We believe the same principle should apply to national and state-chartered savings and loan associations. To carry out this principle, it is necessary that the establishment of branches of Federal savings and loan associations be subject to the same limitations and restrictions as the establishment of branches of state-chartered savings and loan associations under the law or practice in the state in which such Federal association is located. In this way, the autonomy of the state would be fully preserved.

"Finally, such a basic issue as branching privileges should be dealt with by legislation and not by regulation. Administrative action can be more easily nullified than can legislative action. What the present Home Loan Bank Board can do by regulation, a future board can undo without resort to congressional sanction.

"For the reasons cited by Mr. Boyles and myself, the A.B.A. opposes the proposed amendment to the regulations."

Further testimony by Joseph E. Perry of Newton, Mass., and others on February 16 will be reported in the next issue.

The First National Bank of Lebanon recently initiated school savings banking in the Cornwall schools for pupils in all grades, including elementary, junior high, and senior high. Teacher Julia A. Edwards, *seated*, is shown receiving deposits from pupils as, *left to right*, First National Vice-president R. P. Zimmerman; Branch Manager Eugene J. Arnold, and Principal F. E. Brenner look on

New York Dividend Rate

WELL informed savings bank sources in New York advise that the savings banks of New York State are approaching the question of increased dividends with caution. At the end of last year, 12 savings banks declared an extra quarter percent above the regular 2½ percent rate. Seven of these were banks in New York City. Two others, paying 2½ percent, also declared ¼ percent extra. What effect these extras have had on the deposit trend it is too early to tell.

Just what the future course will be remains to be determined. Two banks by their advertising have implied that they will pay an extra at the rate of ¼ percent per annum on April 1, but have made no definite commitment as yet. This in effect would mean that they plan to go on a regular 2¾ percent rate. These sources suggest that this would be contrary in some respects to the philosophy as outlined by the Banking Department when the dividend ceiling was raised.

The two factors which probably will guide banks on dividend policy are: first, the effectiveness in attracting deposits by increasing the rate or declaring extras, and second, the trend in money rates generally. The Federal Reserve reduced the rediscount rate on February 4 from 2 percent to 1¾ percent, which at least psychologically should have the effect of keeping money rates down. Also last month the FNMA increased the price of mortgages by approximately two points, which should tend to firm the mortgage market at a lower rate. Thus, if savings deposits continue to gain as they have been in the past, the ability of the banks to pay a higher interest rate to depositors becomes proportionately less.

Report on Institutional Investors Mutual Fund

NEW YORK STATE mutual savings bankers appear to be well satisfied with their experience during the first eight months of operation of the Institutional Investors Mutual Fund, Inc. This fund was established in May 1953, after the state legislature authorized mutuals to invest in common stocks for the first time in their long history.

From a recent analysis of the value of the fund by its president, J. Wilbur Lewis, president of the Union Dime Savings Bank, New York, we take this excerpt:

"IIMF provides threefold protection for the common stock portfolio of a savings bank. First, from the very large number of common stocks that savings banks can buy is culled a limited group meeting our high quality standards. This group constitutes the approved list. Secondly, from this approved list stocks are selected for investment when they can be purchased with what professionally trained analysts regard as a minimum risk of depreciation or loss. Thirdly, the portfolio is subject to continuous, intensive supervision, with sales or shifts of holdings when economic and financial conditions indicate that such action is desirable."

On the subject of yields and dividends, Mr. Lewis said, in part:

"At the close of 1953, the indicated book value on stocks held by IIMF was 5.19 percent, compared with 5.01 percent as of June 30, 1953. The improvement reflected increases in dividend rates of some equities held and purchase of shares at higher than average book returns."

Since its founding, the fund's resources have grown to over $6,000,000, according to Mr. Lewis.

"The performance of IIMF," Mr. Lewis said, "is not judged by us and should not be judged by its record during any one period of time, short or long. It should be judged solely by whether this fund will secure for mutual savings banks the higher rate of return while minimizing the risks involved. We are convinced that IIMF, as now set up and now operated, will do this satisfactorily at a cost per dollar invested that will become smaller and smaller as the fund grows in size."

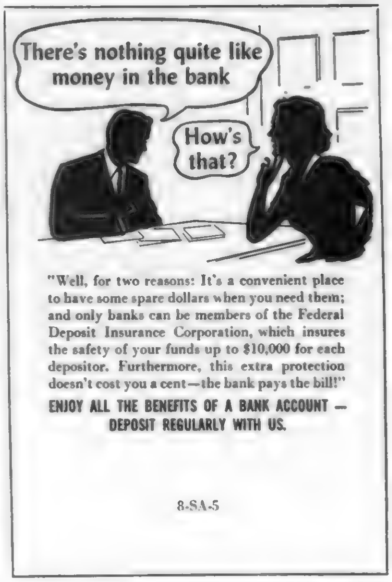
New 2-in-1 Christmas Club

THE new 2-in-1 Christmas Club being offered this year for the first time by the Fitchburg (Mass.) Savings Bank combines savings and instalment credit. On opening this 2-in-1 club account, a member pays a $1 fee and agrees to deposit $3, $4, or $5 a week for 51 weeks. This entitles him to an immediate cash payment (December 10, 1953) of $75, $100, or $125 and similar payments on December 10, 1954, depending upon the amount of his deposits.

This new savings-credit plan was introduced the first week in December through display newspaper advertisements. In addition to the membership fee of $1, there is a financing charge equal to one weekly payment.

"Anyone with a good credit or borrowing record may apply for membership by making one weekly payment," an ad reads. "Those whose applications are received immediately, and are approved, will receive a check by December 10. Latecomers may join by catching up on weekly payments when they apply for membership."

In reporting on the effectiveness of the plan, President Frederick C. Ober said that the idea caught on immediately. "From the day after the first announcement appeared in an afternoon paper, customers started swarming into the bank. Two days later we realized we had hit upon the most effective promotional service we had ever offered."



Trend of Security Outlays

THE following table gives the trend and growth of the annual sums (in billions of dollars) allotted out of income for personal and family protection, broken down as between voluntary and Government-sponsored plans, for selected years from 1929 through 1952:

Year	*Voluntary Protection*	*Social Security (OASI)*	*% Voluntary to Total*
1929	$4.3	$—	100%
1940	6.9	0.7	91
1944	26.6	1.3	95
1946	16.6	1.4	92
1948	14.4	1.7	90
1949	15.5	1.6	90
1950	15.3	2.6	85
1951	17.9	3.3	84
1952	22.8	3.8	86

NOTE: Voluntary protection comprises life insurance and annuity premiums, employer and employee payments to retirement and pension plans, additions to long-term savings, and accident and health protection premiums. SOURCE: *Money-Matters.*

Savings Promotion Material

A NEW series of savings deposits promotion material has been prepared cooperatively by the Savings and Mortgage Division and Advertising Department of the American Bankers Association. There are six newspaper advertisements and a direct mail folder keyed to the clinch line "There Is No Substitute for Money in the Bank."

The attractive, two-color folder points up reasons for saving with brief copy illustrated with eye-catching pen and ink drawings.

The appearance of the clinch line on all of the ads gives them continuity. Although the copy is brief, it carries a strong selling message. For the first time the Advertising Department offers a choice of two sets of illustrations—either cartoons or silhouettes. Ad sample at left.

1953 Savings All-Time High

BANK thrift deposits reached an all-time high in 1953, with savings deposits in commercial banks reaching $43.4-billion and in mutual savings banks $24.4-billion at the year end. This compares with a 1952 total in savings in commercial banks of $40.7-billion and in mutual savings banks of $22.6-billion. The combined commercial and savings bank thrift deposits amounted to $67.8-billion.

Other thrift institutions likewise showed substantial gains in 1953 over 1952 in the total volume of savings funds. For example, shares in savings and loan associations were reported at $22.8-billion at the end of 1953, representing an increase of $3-billion for the year. Life insurance policy reserves reached a total of $67-billion in 1953, compared with $62.6-billion at the end of 1952.

La Salle's "Save-O-Matic"

A NEW savings service has been launched at La Salle National Bank, Chicago, to provide customers with an automatic savings plan.

Under the plan, depositors authorize a monthly transfer from their checking accounts to their savings accounts. On a simple authorization form, the depositor indicates the amount of money he wishes added to his savings account and the date he wants the transfer made. From there on the process is automatic. The bank's special service department sees to it that the authorized transfer is made and the depositor advised.

"Save-O-Matic" is designed for busy people or infrequent visitors.

News for Mortgage Credit Men

Items and Comment from Our Savings and Mortgage Division and Other Sources

"Oh, Mary, I told you not to touch that button while the television man is on the roof!"

COURTESY THE CHRISTIAN SCIENCE MONITOR

Financing Is Real Challenge, Declares John W. Kress

"FINANCING home construction in the coming months as a means of continuing the high level of business activity is a real challenge," John W. Kress, president of the A.B.A. Savings and Mortgage Division, said in an address before the Association's National Credit Conference in Chicago.

"With the appointment of Albert M. Cole to the office of Administrator of the Housing and Home Finance Agency last year," Mr. Kress said, "the Administration embarked upon a complete study of the entire national housing and home financing problem. Through shirtsleeve conferences with leaders in this field in all parts of the country, Mr. Cole has obtained a first-hand understanding of the problem, and has set in motion a plan for its solution.

While reviewing what's ahead in 1954, Mr. Kress said he felt the thoughtful deliberations of the HHFA and the President's Advisory Committee may result in new developments in 1954.

"One of them," he said, "is the possibility of evolving an improved distribution of mortgage credit for areas of need to supplant Fanny May. I believe a sound plan should be developed, but for use only when investment funds are unavailable. A secondary mortgage market should not be established for the purpose of direct Government lending or to create inflationary credit, because Government officials have rejected inflation as a matter of Government policy. Now is no time to create any agency subsidized by government or stimulated by private capital to make credit easier, and business and banking leaders who have a moral and ethical interest in social welfare should nevertheless oppose any proposal which makes for unsound mortgage credit.

"A number of proposals for some form of supporting the secondary mortgage market have been made; but for the most part, they seem to indicate in reality a primary market. We are working on a plan which we believe can solve the problem of bringing mortgage credit to all areas of need."

In conclusion, Mr. Kress said: "We all should support the Administration in its serious endeavor to pursue a policy of a sound and honest dollar. It is the only safe way to protect our way of life against inflationary pressures which have grown up so strongly in recent years.

"Home ownership, by every one financially capable, is an ideal situation for this country to pursue; and we should foster it, but always within the limits of a sound economic policy. Lenders need to keep themselves in a position to grant all the credit that is needed for sound development within the country, both now and in the future when the need may be even greater . . . .

"Our objective must be to support strongly a sound and honest dollar and a program in the housing and home financing field which is good for the builder, is good for the buyer, good for the lender, and above all good for the national welfare."

The principal provisions of the Eisenhower Administration's new housing bill, introduced on February 12, are discussed in WASHINGTON, which starts on page 37.

1953 Housing Starts

FOR the fifth successive year, the 1953 housing starts exceeded the million mark, when 1,102,400 new permanent nonfarm dwelling units were put under construction, says the U. S. Department of Labor's Bureau of Labor Statistics. This total was only 2 percent under the final estimate of 1,127,000 for 1952—the second best housing year on record. Virtually all of the 1952-53 decline was in public housing. The all-time peak in housing starts was reached in 1950, with a total 1,396,000.

Starts in 1949 numbered 1,025,100 and in 1951 they were 1,091,300.

Although housing starts in 1953 declined almost steadily from the peak in April, the rate of decline in the closing months of the year was less than seasonal. An estimated 68,000 units were begun in Decem-

ber, 12,000 less than the November figure and 3,500 less than December 1952.

The January housing starts, including 1,300 public units, totaled 66,000. Seasonally adjusted annual private starts rate 1,078,000.

No Real Estate Collapse

DR. ROY WENZLICK, nationally known real estate analyst, predicts that there will be no collapse in the real estate field in 1954.

"The building boom is over," Dr. Wenzlick said. "Prices may sag as much as 20 percent in the next four years, then go higher than they are now." Dr. Wenzlick advised, "Buy a home now and wait 10 years and you'll make a profit when you sell."

CALENDAR

American Bankers Association

Mar. 2	National School Savings Forum, Statler Hotel, New York City
Mar. 2- 3	Annual Savings and Mortgage Conference, Statler Hotel, New York City
Mar. 4- 5	Country Bank Operations Commission, Bon Air Hotel, Augusta, Georgia
Mar. 12	G.S.B. Alumni and Faculty, Columbia Club, New York City
Mar. 18-19	Agricultural Commission Annual Meeting, Denver, Colo.
Mar. 22-24	National Instalment Credit Conference, LaSalle Hotel, Chicago
Apr. 18-20	Executive Council Spring Meeting, The Greenbrier, White Sulphur Springs, W. Va.
June 7-11	Annual Convention, American Institute of Banking, Statler and Biltmore Hotels, Los Angeles
June 14-26	Graduate School of Banking, Annual Session, Rutgers University, New Brunswick, New Jersey
Oct. 17-20	80th Annual Convention, Atlantic City

State Associations

Apr. 8-10	Florida, Vinoy Park Hotel, St. Petersburg
Apr. 12-14	Georgia, Atlanta-Biltmore Hotel, Atlanta
Apr. 22-24	Alaska, Elks Lodge, Kodiak
Apr. 25-27	Louisiana, Jung Hotel, New Orleans
May 5- 6	Oklahoma, Skirvin Hotel, Oklahoma City
May 5- 7	New Jersey, Chalfont-Haddon Hall, Atlantic City
May 6- 7	Tennessee, Peabody Hotel, Memphis
May 9-12	North Carolina, The Carolina Hotel, Pinehurst
May 10-11	Maryland Chalfonte-Haddon Hall, Atlantic City
May 10-12	Missouri, Jefferson Hotel, St. Louis
May 11-13	Ohio, Neil House, Columbus
May 12-13	Indiana, Claypool Hotel, Indianapolis
May 12-14	Kansas, Kansas City
May 13	Delaware, DuPont Hotel, Wilmington
May 14-15	New Mexico, Hilton Hotel, Albuquerque
May 16-18	Texas, Gunter Hotel, San Antonio
May 17-19	Mississippi, Buena Vista Hotel, Biloxi
May 20-21	Alabama, Dinkler-Tutwiler, Birmingham
May 20-22	South Carolina, Ocean Forest Hotel, Myrtle Beach
May 21-22	North Dakota, Dacotah Hotel, Grand Forks
May 23-25	California, Huntington Hotel, Pasadena
May 23-26	Pennsylvania, Chalfonte - Haddon Hall, Atlantic City
May 24-26	Arkansas, Arlington Hotel, Hot Springs
May 27-29	Colorado, Broadmoor Hotel, Colorado Springs
May 29-June 3	Virginia, Cruise
June 3- 6	New York, Lake Placid Club, Lake Placid
June 4- 5	South Dakota, Franklin Hotel, Deadwood
June 5	Connecticut, Griswold Hotel, Groton
June 6- 8	Idaho, The Lodge, Sun Valley
June 9-13	Dist. of Columbia, Greenbrier Hotel, White Sulphur Springs
June 10-11	Massachusetts, New Ocean House, Swampscott
June 12	Nevada, Reno
June 11-12	New Hampshire, Wentworth - By - The-Sea, Portsmouth
June 11-12	New Hampshire Mutual Savings, Wentworth-By-The-Sea, Portsmouth
June 11-12	Wyoming, Wort Hotel, Jackson
June 13-15	Oregon, Gearhart Hotel, Gearhart
June 14-15	Minnesota, St. Paul Hotel, St. Paul
June 14-15	Utah, Utah Hotel, Salt Lake City
June 14-16	Illinois, Drake Hotel, Chicago
June 18-19	Vermont, Equinox House, Manchester
June 21-22	Washington, Winthrop Hotel, Tacoma
June 21-23	Wisconsin, Schroeder Hotel, Milwaukee
June 24-26	Michigan, Grand Hotel, Mackinac Island
June 24-26	Montana, Many Glacier Hotel, Glacier National Park
June 25-26	New Jersey Savings, Monmouth Hotel, Spring Lake
June 25-27	Maine, Poland Spring House, Poland Spring
July 8-10	Central States Conference, Grand Hotel, Mackinac Island, Michigan
July 22-24	West Virginia, Greenbrier Hotel, White Sulphur Springs
Aug. 22-27	Pennsylvania Bankers Association Summer School, Pennsylvania State University, State College
Aug. 29-31	Maine Savings, Poland Spring House, Poland Spring
Sept. 9-11	Massachusetts Savings, Washington Hotel, Bretton Woods, N. H.
Sept. 17-18	Connecticut Savings, Hotel Wentworth-By-The-Sea, Portsmouth, New Hampshire
Oct. 11-12	Nebraska, Fontenelle Hotel, Omaha

Other Organizations

Mar. 1- 3	Virginia Bankers Farm Credit Conference, Virginia Polytechnic Institute, Natural Bridge
April 8-9	15th Annual Pacific Northwest Conference on Banking, State College of Washington, Pullman
Apr. 12-14	Reserve City Bankers, Boca Ratan Club, Boca Ratan, Florida
May 30-June 12	School of Banking of the South, Louisiana State University, Baton Rouge
July 4-17	Western session, Graduate School of Credit and Financial Management, Credit Research Foundation of the National Association of Credit Men, Stanford University, Stanford, California
Aug. 1-14	Eastern session, Graduate School of Credit and Financial Management, Credit Research Foundation of the National Association of Credit Men, Dartmouth College, Hanover, New Hampshire
Aug. 8-20	School of Consumer Banking, University of Virginia, Charlottesville.
Aug. 23-Sept. 4	School of Banking, University of Wisconsin, Madison
Sept. 26-30	Financial Public Relations Association, Hotel Statler, Washington, D. C.
Sept. 27-30	41st Annual Convention, Mortgage Bankers Association of America, Conrad Hilton Hotel, Chicago
Oct. 3- 6	Consumer Bankers Association, Hotel Roosevelt, New Orleans, La.
Oct. 18-21	National Association of Bank Auditors and Comptrollers, 30th Annual Convention, San Francisco

What's the most efficient way to process

8 Billion Checks?

In a single year, U. S. banks process an estimated 8 billion checks.

The most efficient way to sort, list, prove and endorse checks is, naturally, to handle them as few times as possible.

That's why so many banks use IBM Proof Machines. In one simple, easy operation, checks are sorted, listed, proved and endorsed. The savings in time and money, even for banks with small check volume, are impressive.

IBM Proof Machines

TRADE MARK

15 Advantages of IBM Proof Machines for Commercial Banks

- Immediate proof of each deposit
- Checks sorted automatically to reduce operator effort
- Checks endorsed and identified automatically
- Simplified keyboard, to promote touch-adding accuracy
- Control tape, to provide a complete reference—in original sequence
- Completely flexible credit distribution and proof
- Large distribution capacity to reduce rehandling
- Constant control of cash entries, with or without tickets
- Proof and distribution of incoming clearings to ledgers and active accounts
- Incoming clearings automatically dated and identified
- Progressive totaling, providing sub-totals on all counters
- Repeat, subtract, and non-add keys, to facilitate machine operation
- Control panel for complete flexibility of application
- Facilitates bank analyses, for better management control
- Functionally designed to give maximum operator efficiency and convenience

International Business Machines • 590 Madison Avenue, New York 22, N. Y.

ROBERT COOPE

Trustmen Have Balanced Program

MARY B. LEACH

THE massive gold curtain concealing the stage gracefully parted . . . Merle E. Selecman executive manager of the American Bankers Association and secretary of the Trust Division, stepped to the lectern and called the meeting to order . . . Old Glory fluttered in the breezes as the stirring strains of the Star Spangled Banner filled the ballroom of the Waldorf-Astoria . . . Trustman Gilbert T. Stephenson, (Pendleton, N. C.) delivered the invocation . . . and the 35th Mid-Winter Trust Conference was under way.

A first order of business was the introduction by Mr. Selecman of 16 Trust Division past presidents seated on the rostrum and Robert F. Maddox, director of the First National Bank of Atlanta and father of N. Baxter Maddox, president of the Trust Division and vice-president and trust officer of Atlanta's First National. Mr. Maddox, Sr., was president of the American Bankers Association in 1918.

President N. Baxter Maddox, the first speaker, emphasized the importance to trustmen of acquainting themselves with the significance of Federal budget balancing, the Gov-

(CONTINUED ON PAGE 96)

Caption to Picture Above

Introductions . . . Executive Manager Selecman introduces 16 past presidents of the Trust Division, *standing*. Front row, *left to right*, Gilbert T. Stephenson, Pendleton, North Carolina (1930), and Samuel C. Waugh, Assistant Secretary of State for Economic Affairs, Washington (1938)

Second row, *left to right*, James W. Allison (before retirement), Equitable Trust Co., Wilmington, Del. (1945); Henry A. Theis, president, Citizens Northern Valley National Bank, Englewood, N. J. (1943); Richard G. Stockton, chairman, Wachovia Bank and Trust Co., Winston-Salem, N. C. (1941); Carl W. Fenninger, director, Provident Trust Co., Philadelphia (1940); Robertson Griswold, vice-president, Maryland Trust Co., Baltimore (1937); Merrel P. Callaway, director, Central of Georgia Railway Co., Savannah (1935); Leon M. Little, president, First National Bank, Ipswich, Mass. (1934)

Back row, *left to right*, Robert A. Wilson, senior vice-president, The Pennsylvania Company for Banking and Trusts, Philadelphia (1952); Joseph W. White, vice-president, Mercantile Trust Co., St. Louis (1951); Raymond H. Trott, president, Rhode Island Hospital Trust Co., Providence (1950); John W. Remington, president, Lincoln Rochester Trust Co., Rochester, N. Y. (1949); Harry M. Bardt, vice-president and senior trust officer, Bank of America, San Francisco (1948); R. M. Alton, vice-president in charge of trust department, United States National Bank, Portland, Ore. (1947); and Evans Woollen, Jr., chairman, Fletcher Trust Co., Indianapolis (1946)

Seated on the rostrum, *left to right*, former A.B.A. President Maddox; A.I.B. President Harman; Trust Division President Maddox; and Charles E. Orcutt and Joseph H. Wolfe, assistant secretaries, Trust Division

Everett D. Reese
Bankers have responsibility . . .

Marcus Nadler
No sharp business decline . . .

William J. Jameson
Balancing individual rights . . .

(CONTINUED FROM PAGE 94)
ernment's fiscal policy, the monetary policy of the Federal Reserve System, and the debt management policy of the Treasury.

"We have only begun to scratch the surface of the problem of educating ourselves in such matters," said Mr. Maddox. After mentioning the fact that many attributed the 1952 Presidential election results to "reaction against unsound money" and the subsequent unfounded criticisms of banks in the nonpolitical attempts to achieve sound money, Mr. Maddox said that "unless we are prepared to answer such attacks, we shall shirk an important responsibility as representatives of the financial community."

Speaking both from the standpoint of a trustman and as national president of the American Institute of Banking, Stetson B. Harman (First Trust and Savings Bank, Pasadena) reviewed the 54-year bank staff educational program of the Institute as it applies to trust department employees. "Both of the Institute texts in trust are now in the process of complete revision," he said, "to bring them within today's concept of the trust business. One will be available for classes in September of this year under the title *Trust Department Services*. The second revised text will make its bow in September 1955, carrying the title *Trust Department Operations*."

The Big Question

"When is the United States going to have a depression and how serious will it be?," was the question most often asked United States representatives attending banking and trade meetings in Geneva and New Delhi in September, Samuel C. Waugh told the trustmen.

Mr. Waugh is Assistant Secretary of State for Economic Affairs and is a former president of the A.B.A. Trust Division.

In his discussion of the Randall Report, which Mr. Waugh feels is not "just another report," but "may be the taking-off point for a new phase of our economic relations with other nations," he said that "the peoples of the Far East, Latin America, and Africa have been stirred to new aspirations for economic growth. In the next generation or two, these areas are bound to grow spectacularly by one means or another, and as they grow to draw upon the productive facilities of the industrial nations. New forces exist which may create a level of world trade higher than has ever previously been contemplated."

Leslie E. Gehres
Russians off-balance right now . . .

J. Stewart Baker
Greetings from clearing house . . .

Eugene R. Black
Large sums are invested abroad . . .

PHOTOS BY ROBERT COOPE

In a panel discussion of "Handling Businesses in Trusts," Joseph W. White, vice-president of the Mercantile Trust Company, St. Louis, warned that "businessmen must understand that a trustee is not authorized by law to retain and continue to operate a business indefinitely when there is no provision in the will or other trust instrument giving the power to do so."

Speaking to this point, Arthur B. Pfleiderer, vice-president of the Detroit Trust Company, stated:

"If it is quite obvious that the executors should get out of the business at the earliest possible moment, we ask the trust officer to arrange a meeting at which we make our report and try to sell our conclusions. If we have sold well, we quietly set in motion the steps which we consider necessary for an effective sale."

Other members of this panel were Clarence D. Cowdery, The Boatmen's National Bank of St. Louis; Joseph Trachtman, Trachtman and Wolf, N.Y.C.; and Aurie I. Johnson, First Trust & Deposit Co., Syracuse.

During a lively question period, H. M. Bardt, Bank of America, San Francisco, and R. P. Chapman, Merchants National Bank of Boston, joined the panel.

Smaller Trust Panel

Another panel, led by Ralph A. McIninch, Merchants National Bank, Manchester, New Hampshire, explored the "Problems of Smaller Trust Departments" before a large, interested audience. Besides Mr. McIninch the panel was made up of J. Anton Conner, trust review section chief, Federal Deposit Insurance Corporation, Washington; W. T. Hackett, The Huntington National Bank, Columbus; and Charles F. Borgel, The First National Bank of York, Pennsylvania. During a one-hour question period Mr. McIninch was assisted by Mr. Borgel; Mr. Hackett; William S. Ritman, The Indiana National Bank, Indianapolis; and H. C. Schuyler, Union Bank and Trust Company, Helena.

"A fiduciary cannot expect freedom from liability if it fails to properly review, with sufficient frequency, all of the trust assets for which it has investment responsibility," said Mr. Conner. "If a satisfactory comprehensive periodic review of trust assets is being made by the directors or a duly authorized committee, we and management, and

Trust Division officers at a pre-conference meeting. *Left to right*, Executive Committee Chairman Richard P. Chapman (president, Merchants National Bank, Boston); President Maddox; Division Vice-president George C. Barclay, (vice-president, City Bank Farmers Trust Co., New York); and Mr. Selecman

Forty-four states, Bermuda, Canada, and District of Columbia were represented at the conference by 1,930 trustmen and women. Photograph, *above*, shows trustmen picking up credentials

Trustmen from Pennsylvania planning April trust meeting of the Pennsylvania Bankers Association. *Left to right*, L. W. Van Meter, Provident Trust Co., Philadelphia; H. F. Myers Jr., Fulton National Bank, Lancaster; R. H. Starr, First National Bank, Sharon; J. E. Williams, Provident Trust Co.; R. L. Ellison, West Branch Bank and Trust Co., Williamsport; H. T. Bongardt, Tradesmens Land Title Bank and Trust Co., Philadelphia; M. F. Gstalder, First National Bank, Williamsport (chairman, PBA's Trust Division); and R. U. Frey, The Pennsylvania Co., Philadelphia

PHOTOS BY ROBERT COOPE

J. L. Robertson, Board of Governors, FRS, Washington; Frank C. Rathje, Chicago, former A.B.A. president; and T. J. Nugent, first of Chicago (retired)

Nancye B. Staub, Morristown, N. J.; Robert A. Wilson, Philadelphia; W. L. West and Thoburn Mills, Cleveland, plan a women's finance forum

FDIC stock-taking. New York Examiner George W. McNell; Board Member Maple T. Harl, Washington; and Boston Examiner L. J. Culliney

everybody, can be reasonably well assured that asset problems needing attention are getting it. Asset reviews, if properly conducted by a group of informed men, constitute a first line of defense against liability. . . . Lack of provision for effective internal audit and control is another frequent criticism."

Mr. Hackett told about the organizing of an "Estate Clinic" with 25 members—underwriters, trust officers, attorneys, and accountants.

"We meet once a month, nine months a year," he said, "We have no speakers or speeches, no officers, and no dues other than the cost of the dinner. The chairmanship rotates from member to member each month. Also, each month one attorney, one trust officer, one accountant, and one underwriter are picked to present an actual case analysis."

Jenkins-Keogh Bills

The first to face the mike on Tuesday morning was Earl S. MacNeill, vice-president of the Irving Trust Company, New York. His topic was "Opportunities for Service under the Jenkins-Keogh Self-Pensioning Bills."

"The whole of Main Street is your market," he said in an enumeration of the potential customers under these bills. "Qualification for membership," he said, "is accomplished by a process of elimination. . . . The law's definition says nothing about professional status—requires membership in no association. It doesn't even set the condition of self-employment, albeit this is popularly referred to as a bill to provide pensons for the self-employed."

Taxaton and legislation were the subjects expounded by the next two speakers. Carlysle A. Bethel (Wochovia Bank and Trust Co., Winston-Salem), chairman of the Trust Division's Committee on Taxation, gave a comprehensive, extemporaneous review of taxation and its effect upon the fiduciary. J. O. Brott, A.B.A. general counsel, Washington, reviewed bills pending before Congress in which trustmen have a direct interest.

The Administration is taking industry at its word that it can maintain full employment and prosperity and the banks at their word that they can meet the nation's financing needs, Everett D. Reese, president of the American Bankers Association, told the trustmen. He pointed to the fact that there are many bankers who have never before been through a competitive situation such as we now have and said that it will take a great many of good bankers to meet the transition period.

He warned that the Government is back in the lending business again ostensibly to help small business and warned that already there is a demand for greater Government lending.

"It seems to me that we are faced with a tremendous challenge," said Mr. Reese. "The stakes are high. Is private banking going to do the job or allow the Government to step in with more and more things to do for the people? We as bankers are going to accept the challenge!"

"When the Whistle Blows"—and it did blow repeatedly throughout this address—was the subject of an address by Robert C. Gilmore (Bridgeport), president of The National Association of Life Underwriters.

Mr. Gilmore's remarks were concerned with the reciprocity that is possible and desirable between underwriters and trustmen.

"A sharp decline in business activity accompanied by large-scale

(CONTINUED ON PAGE 130)

J. H. Evans, Sharon; W. M. Taylor, Deputy Comptroller of the Currency, Washington; Paul I. Wren, Boston; Russ M. Johnson and W. Henry Holman, Jackson, Mississippi

G. L. Smith, J. P. McClain, and A. C. Knight, Cleveland; D. J. Needham (A.B.A. retired); and J. O. Brott, Washington, A.B.A. general counsel

PHOTOS BY ROBERT COOPE

William J. Fitzpatrick, Salt Lake City, member, Trust Division's Executive Committee; R. V. Walsh, San Francisco; Frank H. Schmidt, Los Angeles; and Edward J. Drew, New York

UNITED PRESS PHOTOS

Part of the audience at one session of the Sixth National Credit Conference

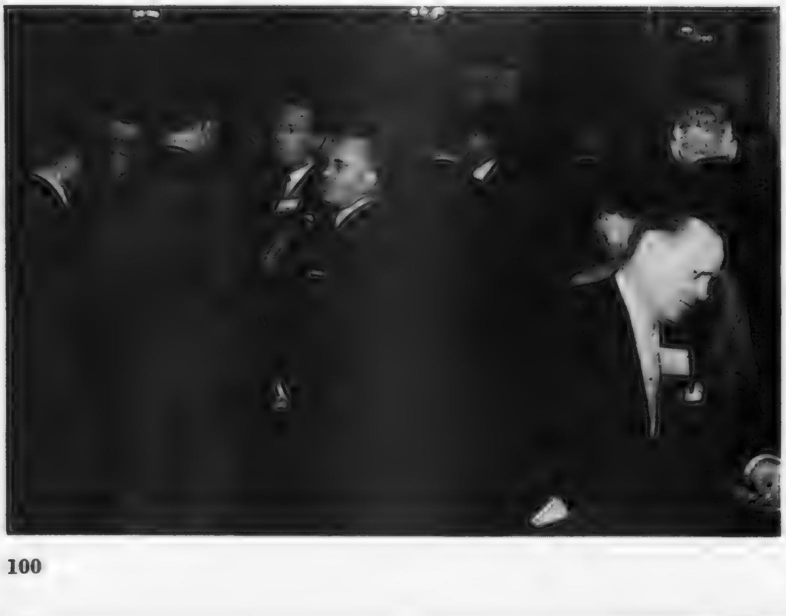
Serve Credit Needs; Seek New Ways,

Chairman Florence Tells Credit Conference

The paragraphs which follow are based on the summary of the Sixth National Credit Conference of the American Bankers Association, which was held in Chicago, January 24-27. The summary was given at the end of the conference by FRED F. FLORENCE, *chairman of the A.B.A. Credit Policy Commission and president of the Republic National Bank of Dallas, Texas. Approximately 1,000 bankers attended the conference, which heard talks and panel discussions by bankers, business and industrial leaders and economists. Pictures of the conference and the men who constituted its program, together with brief excerpts from their talks, appear on this and the following pages.*

THE conference left little doubt that this will be a year of new challenge for banking. This does not mean that we have not faced challenges just as significant before, but the atmosphere of 1954 had characteristics distinguishing it from past conferences. Since we met in January 1953, the last of the direct economic controls arising out of the Korean crisis have been canceled out; we have had a reorientation of monetary and fiscal policies through which a determined effort is being made to promote stabilization, rather than inflation; we have seen the cessation of a shooting war, with corresponding effects upon the attitudes of business and consumers toward forward buying; and we have again witnessed the miracle of American productive genius, with its capability for turning out an unparalleled volume of goods for both civilian and military purposes.

Registration, *below*, was at a new high



WHAT has this meant for the economy as a whole, and for banking in particular?

Our speakers discussed at length the conditions affecting the general economic situation and specific lines of business in different sections of the country. We observed a wide variation in their experiences. The forces of supply and demand in our markets are now operating closer to normal—that is, without the in-

(CONTINUED ON PAGE 103)

UNITED PRESS

Left to right: Fred F. Florence, chairman of the A.B.A. Credit Policy Commission and of the National Credit Conference, and president of the Republic National Bank of Dallas (whose remarks summing up the conference begin on the opposite page); Everett D. Reese, president of the American Bankers Association and of The Park National Bank of Newark, Ohio; L. A. Jennings, Deputy Comptroller of the Currency, Washington, D. C., a guest of the conference

UNITED PRESS

Left to right, above: H. Earl Cook, chairman, Federal Deposit Insurance Corporation, a conference guest; George Champion, senior vice-president, Chase National Bank, New York; L. L. Colbert, president, Chrysler Corporation, Detroit

UNITED PRESS

UNITED PRESS

Left to right: Philip Sporn, president, American Gas & Electric Co., New York; Kenton R. Cravens, administrator, Reconstruction Finance Corporation, Washington (the RFC program for disposing of its assets was outlined in our February issue); Chester A. Rude, chairman of the executive committee, Security-First National Bank of Los Angeles; John W. Kress, president of the A.B.A. Savings and Mortgage Division and vice-president, The Howard Savings Institution, Newark, N. J.

Left to right: T. W. Johnson, president, Robert Morris Associates, and vice-president, Security-First National Bank of Los Angeles; Russell S. Weatherwax, president, Oglesby-Barnitz Bank & Trust Co., Middletown, Ohio

UNITED PRESS

Left to right: Fred Lazarus, Jr. (at lectern), president, Federated Department Stores, Inc., Cincinnati; George R. Boyles, chairman, A.B.A. Committee on Federal Legislation, and president, Merchants National Bank, Chicago, who presided at one of the sessions

UNITED PRESS

What They Said

"Bankers must accept risks as part of their business or face a very real clamor for more government credit and guaranties. . . . Supervisors should not take such a critical attitude toward the business loans of banks as to drive them into an overzealous interest in government-guaranteed loans."

EVERETT D. REESE

"If banks are not going to accept the risk and responsibility for their own domestic loans, small and large, there is little excuse for their existence. If the risk is greater than is warranted for a loan, we have no right to ask the taxpayer, through a governmental guaranty, to assume it. . . . In lending, there is no substitute for experience. It is a very simple thing to lend money in good times, but the real test of a banker is to judge the good from the bad when the going is rough."

GEORGE CHAMPION

"I wonder sometimes if we wouldn't do better to talk more about the distance we still have to go, the things we still have to do, the needs we still have to fill—and talk less about the wonders of production and distribution that have been accomplished in the past. . . . To a remarkable degree, American business creates its own markets as it goes. It creates markets by designing and building products that have an irresistible appeal. It creates markets by extending financial credit—by making it possible for millions of people to pay for the things they buy while they are enjoying their use."

L. L. COLBERT

". . . No matter how busy we are, as a matter of organization and executive development, we should set aside some time every day to discuss problems, to pass along experiences, to counsel with those coming along to whom we shall soon pass the torch . . . This, in our business, is our development and research laboratory —without which modern banking, not unlike industry, will not continue to compete and endure, much less grow."

T. W. JOHNSON

"Many bank people today never loaned or collected money in highly competitive markets—prosperous borrowers have made it rather easy to make a good showing. We think it will be advisable to develop an organization and so coordinate that maximum attention is devoted to selling the use of our money and collecting it. Loan operations should be organized so all details are almost automatic."

RUSSELL C. WEATHERWAX

"It must be apparent that, in the period ahead, we bankers and retailers have an opportunity of unusual dimensions. Being closer to the buyer and to the customer, we need to understand more about him. The economy requires the action that comes from that understanding."

FRED LAZARUS, JR.

"Assuming only normal difficulties and disappointments in the developmental phase that we are now entering, the effect of atomic power on sources of energy in the United States is still bound to be almost negligible during the next ten years and only slight during the ensuing five years. In the decade after that, it may pick up to some significant figure. But a great deal of work still remains to be done before it will be possible to determine whether—and more importantly when—atomic power can take its position in the market place and meet the economic test of other forms of energy in areas, like the United States, having these in abundance."

PHILIP SPORN

"Although mortgage credit is more readily available today than was the case some months ago, another great need is a flexibility in the rates of interest on FHA and VA loans. Those who are concerned with the purse strings of our economy have long advocated that interest rates be flexible and be permitted to fluctuate in accordance with the normal laws of supply and demand. Such a policy might even do away with the necessity for a secondary mortgage market and would help cure the problem of furnishing adequate mortgage credit. The notable 'accord' between the Treasury and the Federal Reserve Board in March 1951 put such a policy into effect with respect to U. S. Government securities. Why should not the same 'accord' be adopted with respect to the regulated rate of interest on mortgage loans?"

JOHN W. KRESS

"If Federal controls can be used to increase downpayments and to shorten terms in the hope of reducing the available supply of credit, cannot the reverse of this power be used? Namely, cannot the holders of this regulatory power soon say, if they feel credit should be expanded, that lenders must reduce down-payments and extend longer terms—and I mean must—must extend, not just have the privilege of extending. How far from this point is it to a Government lending agency to supply instalment credit on the maximum terms set by the regulatory powers if the banks do not fall into line? Government agencies are already operating in many fields of credit. Why not in consumer credit?"

PHILIP WOOLLCOTT

"We can and should look to the future with confidence. Ours is a dynamic, growing economy in which banking and credit will always play a major indispensable role. The nation's future economic health will be greatly influenced by the job which you do in 1954 in developing and selecting the credit risks which will help build new strength for the economy in the years just ahead."

WALTER E. HOADLEY, JR.

"It is my belief that these policies mean that the economy is more likely to be stabilized within reasonable limits at approximately full employment and stable prices than was true prior to the adoption of this policy. We should recognize, however, that complete stability is neither possible nor desirable. I merely mean that the risks of extreme inflation and deflation have been reduced."

MARK A. BROWN

The panel on credit conditions, with, *left to right*, Frederic A. Potts, president, Philadelphia National Bank; Jesse W. Tapp, executive vice-president, Bank of America, NT&SA, San Francisco; Wallace M. Davis, president, the Hibernia National Bank, New Orleans; Francis H. Beam, senior vice-president, the National City Bank of Cleveland; George S. Moore, moderator, executive vice-president, The National City Bank of New York

ALL PHOTOS UNITED PRESS

Left to right: Harry M. Arthur, president, A.B.A. State Bank Division, and president, Arthur State Bank, Union, S. C., who presided at one session; Henry A. Kugeler, president, A.B.A. National Bank Division, and president, The Denver National Bank, who was a session chairman; Philip Woollcott, chairman, A.B.A. Instalment Credit Commission, and chairman of the board and president, The Bank of Asheville, N. C.

Left, left to right: Fred F. Florence, conference chairman; Carl M. Flora, vice-president, First Wisconsin National Bank, who was chairman for one of the sessions; Walter E. Hoadley, Jr., economist, Armstrong Cork Co., Lancaster, Pa.; U. V. Wilcox, Washington Correspondent, *The American Banker*, and editor-publisher, *Washington Banktrends*, who answered questions from the audience on events in the Nation's Capital. *Right*, Mark A. Brown, president, Harris Trust and Savings Bank, Chicago

(CONTINUED FROM PAGE 100)

fluence of serious inflationary or deflationary bias.

Nevertheless, while readjustments have been taking place in some sectors as a result of the changed relationship between supply and demand for particular goods, there was a firm undertone of confidence throughout the conference. Evidences of weakness which have developed in some lines in recent months are not a new element in the credit picture.

It is significant that there was seemingly unanimous agreement regarding the ready availability of bank credit.

The pause in the business indices and the talk of an economic setback that was so fashionable in the year-end forecasts could easily have produced an attitude of undue caution or even alarm in bank credit policies, but there has been no evidence that such is the case. Instead, we find our institutions anxious to meet the requirements of a changing economy.

That is just good common-sense banking.

It is in terms of this general framework that we can set forth a 5-point program for resourceful bank credit policies and practices in 1954:

(1) *We should make sure that we fulfil our responsibilities to serve the credit needs of our customers.* While we should exercise prudence in current lending, we should not become alarmed because a particular line of business is undergoing a phase of readjustment. Banking cannot afford to withdraw credit when it is needed most. Otherwise, credit will be sought and obtained elsewhere.

(2) *We must place customer guidance high on our list of functions.* Readjustment and transition periods are times when borrowers need guidance, constructive help, and mutual understanding. Bank lending officers are in a favored position to show intelligent cooperation and courage in handling the financial and related problems of customers.

(3) *We must investigate and open*

up new areas of service in bank lending. It cannot be assumed that bank lending has reached its potential in terms of service. Term loans and consumer lending are examples of relatively recent developments in commercial banking. As the requirements of a growing economy change, lending techniques should change with them.

(4) *We must make further internal improvement in bank credit administration.* We have passed through a long period of almost constant inflation, during which losses were negligible. The prospect of an increasingly competitive economy, even at a very high level of activity, points to the need for careful analysis of lending and collective procedures. Such analysis is essential to sound relations with borrowers. As so ably expressed during the conference, the training of new personnel for future executive leadership is vital to the serving of the credit needs of the country.

(5) *Finally, we should be alert to basic changes taking place in the money market.* The past year affords good evidence of the problems facing bank lending operations under flexible monetary and debt management policies which constitute an important part of the framework within which bank lending operations must be conducted.

A "Real Opportunity"

Those are the five points we might keep in mind as we approach bank credit problems in 1954. We have a real opportunity to serve courageously, constructively, and resourcefully.

Banking does not fear the forces of supply and demand in a dynamic economy. We have just come through a year that set new highs in production, income, and trade; indications are that 1954 also will be one of the best on record. When it is considered that past peaks were made under the impetus of scare-buying, inventory accumulation, and other facets of a war or semi-war economy, the year 1954 may well produce a new record of achievement measured by standards of lasting value. Unless some drastic change should take place on the international scene, the economy of 1954 will find a climate in government that is more favorable than heretofore to stability and long-term growth. We have witnessed a determination to achieve sound money, which seeks to avoid the pitfalls of inflation, as well as deflation. And we have seen greater acceptance of the principle that the root of sound economic growth is not the temporary stimulus of doses of inflationary medicine, but rather the encouragement of private capital investment.

Washington

(CONTINUED FROM PAGE 39)

ernment entirely by itself can hold onto prosperity indefinitely. It can only create the environment for prosperity. The main job is up to the people themselves, who are responsible for making efforts to take care of themselves.

Avoid Budget-Balance Promise

At no point in his official messages does the President state a flat and unequivocal promise to balance the budget or name a year for the achievement of that objective. Observers think this may or may not be of significance. It may reflect a realistic grasp of the practical difficulties ahead and a realization of the possible futility of such a promise at this time. Or it may indicate a backing away from such an objective.

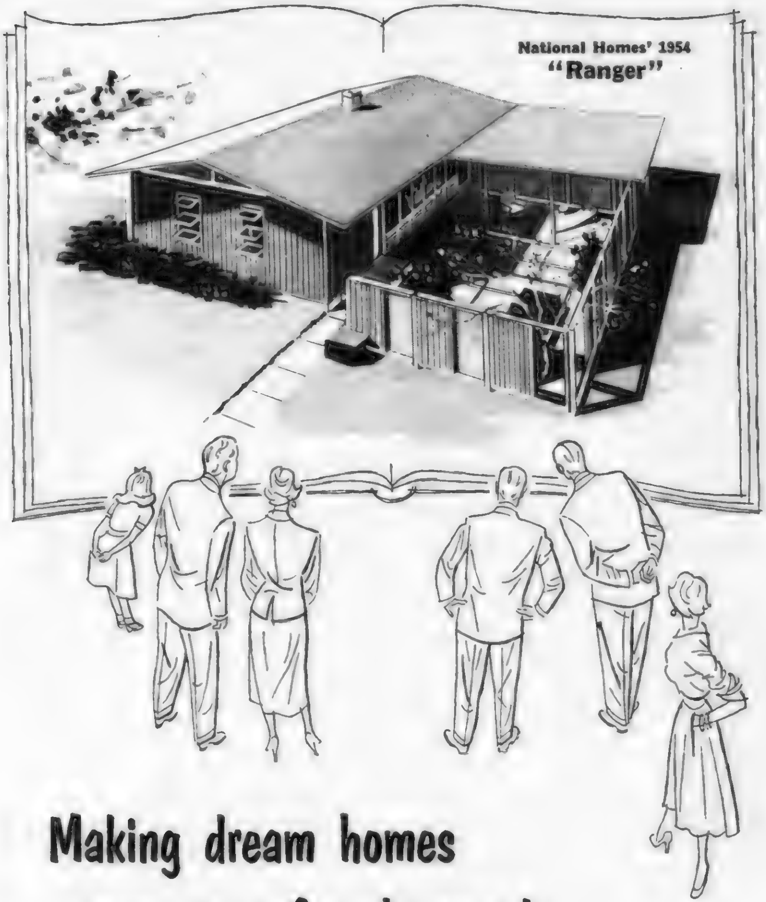
Mr. Eisenhower's chief fiscal lieutenant, however, the Secretary of the Treasury, did state such an objective in his appearance before the Joint Economic committee. Mr. Humphrey, after summarizing budgetary plans, observed that "at the same time we are moving closer each year to an administrative budget balance, which is a goal we are determined to reach."

Congress May Upset Plans

Congress, however, may upset the President's fiscal program considerably. In particular jeopardy are the tax recommendations. The President asked that Congress continue beyond April 1 the higher rates of corporation income and excise taxation which otherwise would drop back on that date.

At the outset the political opposition seemed disposed to demand a vote upon and try to put through a tax reduction for individuals in the

(CONTINUED ON PAGE 106)



Making dream homes come true for thousands

Buying a home is the most important investment the average family makes in a lifetime. Since 1940, over 55,000 families have selected "custom" homes "mass produced" by National Homes Corporation, Lafayette, Indiana.

From a modest beginning, National Homes' two giant plants now turn out ninety complete houses a day. With thirty-nine designs, National Homes, through the miracle of modern manufacturing methods, is bringing better homes within the reach of every American family.

Since its founding, National Homes Corporation has relied on the U. S. F. & G. organization to supply the various bonding and insurance coverages essential to its growth and operation.

Whether you build homes or buy them; whether you sell products or services; no matter where you are or what you do, there are U. S. F. & G. coverages to meet your needs.

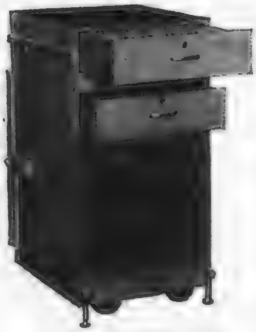
Over ten thousand agents . . . there's one in your community. Consult him as you would your doctor or lawyer.

U.S.F.&G.

CASUALTY-FIRE INSURANCE

FIDELITY-SURETY BONDS

United States Fidelity & Guaranty Company, *Baltimore 3, Md.*
Fidelity Insurance Company of Canada, *Toronto*



(CONTINUED FROM PAGE 104)

form of an increase in the personal exemptions by $100, to cost $2.5-billion. And the opposition as well as many of the President's own party obviously would support a slash in excise tax rates.

Most congressional Republican leaders felt, even if they did not say so, that a given tax "package" must be adopted if the more expensive raising of exemptions were to be headed off. That "package" would include excise tax cuts and possibly a less expensive cut in the rate of taxation upon individuals.

Credit Unions

Expansion of credit unions throughout the country, under a regional system comparable to the Federal Reserve System, would be accomplished by passage of a bill which has been introduced by Sen. John J. Sparkman (D. Ala.). The Sparkman bill is before the Senate Banking Committee as BANKING goes to press.

Sen. Sparkman, who has been solicitous of the welfare of small business, is said to consider credit unions necessary for the supply of credit to individuals, as the Small Business Administration is in caring for the credit needs of small enterprises.

Extension of insurance to Federal credit unions was proposed by the President in his economic message.

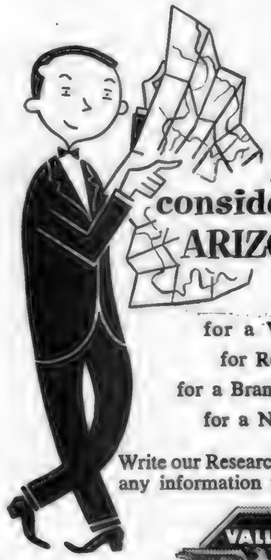
Treasury Seeks Debt Lengthening

Secretary Humphrey told the Joint Economic committee that, with the debt limit remaining at $275-billion, the Treasury had not been able to run its business properly during the previous six months. In particular, he said, the Treasury had been forced to pass up financing opportunities that might not come again.

Defends Treasury Bank Deposits

By keeping its funds in some 11,000 commercial banks the Treasury is saving itself a great deal of clerical hire and other personnel expense. At the same time it is avoiding the creating of periodic shortages on money and credit. The practice of having Treasury deposits in banks was criticized by Rep. Wright Patman (D., Tex.).

"The Treasury keeps money in banks because (a) it is the most efficient and economical way to han-



dle the Government's business, and (b) it avoids withdrawing funds from communities before they can be returned through Government disbursements," the Secretary explained.

"Millions of dollars of additional clerk hire, costs of currency shipments, and transfer of funds would be necessary if the Government should handle the business now handled for it by banks in connection with deposits of withheld income and social security taxes," he further stated.

"If all remittances had to be sent to the Reserve banks for collection, the Government would have many more millions of dollars tied up in process of collection."

A.B.A. Protests HLBB Branch Regulation

At an administrative hearing before the Home Loan Bank Board, spokesmen for the A.B.A. protested the Board's proposed ruling regulating the granting of charters to Federal savings and loan association branches.

This regulation would grant S & L branches as liberally as the state approved branches for commercial banks, mutual savings banks, or branches of state-chartered building associations. Furthermore, it would count chain, group, or affiliated banks as "branches" in making this determination.

There exist fundamental differences between branch banking, on the one hand, and chain, group, or affiliated institutions on the other, it was explained to HLBB's hearing examiner by George R. Boyles, chairman of the Committee on Federal Legislation of the A.B.A. Mr. Boyles is president of the Merchants National Bank in Chicago.

"To attempt by regulation or legislation to treat these different forms of banking on a similar basis is a serious mistake and would result in conflicts of regulations and laws and create inequities," Mr. Boyles stated. "Each should be dealt with separately and in such manner as would conform appropriately to its respective peculiar practices, usages, and forms of organization."

Randall Report Disappoints

In general the Randall Commission report appeared to disappoint

(CONTINUED ON PAGE 109)

(CONTINUED FROM PAGE 107)

advocates of multilateral trade, and at the same time it obviously stirred animosity in those of a protectionist bent.

While proposing continuation of the Reciprocal Trade Agreements Act for three years, with the authority of the President to reduce the level of tariffs by 5 percent in each of the three years, the report carried "extraneous recommendations," considered of somewhat dubious value, to induce Congress to break down the barriers to multilateral trade.

Suggests More Frequent Monetary Policy Changes

Senator Ralph E. Flanders (R., Vt.) suggested to the Congressional Joint Committee on the Economic Report that he believed changes in monetary policy should be more frequent than has been the case in the past. He made this observation when Federal Reserve Chairman Martin was before the committee to discuss the economic outlook.

The Senator, a former president of the Federal Reserve Bank of Boston, observed that he had once noticed the picture in the Bank of England depicting newsmen waiting each Saturday for the weekly announcements of the bank.

"Those changes were made rather more frequently, I think, than we make them," observed the Senator. "They are awaited with interest, but every one of them was not considered to represent some crisis. . . .

"Now can we not get a reaction that is more usable and less cataclysmic in these public actions by making our changes in small increments, so that we can keep in constant touch with the effects, and so the financial public and the business public get used to small changes and do not think of every one as an endeavor to meet a crisis of some sort!"

Chairman Martin responded that "I subscribe to that completely, Senator."

The next day the Board announced that the 2 percent discount rate, originally adopted in January 1953 (it had previously been 1¾ percent) would be dropped back to the latter rate.

This change is said to recognize the decline which had taken place in short-term interest rates. It is said it would also make it easier for banks to adjust their reserve positions to borrowing from the Federal Reserve rather than by operating in the bill market, thereby working against sharper swings in the bill market.

Martin Suggests Humility in Policy Framing

Mr. Martin also explained to the Joint Economic Committee that the Federal Reserve Board had "no static formula" for determining what the money supply should be. He appeared, without saying so, to be thinking of a widely published editorial of some weeks previously which purported to give the Board's formula for determining monetary policy.

"Humility," said the chief spokesman for the Federal Reserve System, "is one of the keys to policy. The minute we think we have the answer to all these problems, you then would be justified in worrying about us."

Draft Housing Legislation

Hearings were slated to commence fairly early in March on a

broad new program of housing legislation introduced by the chairman of the two banking committees. The White House backed the legislation as drafted.

To encourage mortgage lending, and therefore housing construction, the new bill would authorize the President broadly to liberalize downpayments, ratios of loans to value, and terms of repayment on FHA and VA loans. The bill provides, however, that present loan ratios, downpayment, repayment terms, etc., shall remain in operation unless the President directs they be liberalized to conform with an economic outlook. Furthermore, Congress enacted a new set of "maximum mortgage terms" or ceilings beyond which the President could not liberalize insured and guaranteed mortgage credit.

Another objective of the President's program was to induce local communities to take a greater part in their entire housing pictures, over and beyond slum clearance and public housing, as authorized under existing statutes.

Insured FHA loans would be made to rehabilitate existing houses in neighborhoods which would be protected by local ordnances and regulations.

In this legislation it is proposed that the Government make 100 percent, 40-year mortgage loans to finance repair of old housing or possible construction of new housing, to house persons displaced by local authorities from existing slums or decaying areas, and such liberal loans would be eligible to be sold to the Government through FNMA.

With respect to FNMA, the bill would actually conduct three distinct types of operations through this agency, which would be reconstituted as follows:

(1) FNMA would liquidate its present portfolio of some $3.5-billion of mortgages in an orderly manner.

(2) It would provide a "true secondary market" for subsequent insured and guaranteed mortgages.

(For both the above functions, debentures not guaranteed by the Government, would be sold by FNMA.)

(3) FNMA would be the channel through which any type of Government-sponsored mortgage could get direct Treasury funds, at the direction of the President.

GOVERNMENT BONDS

(CONTINUED FROM PAGE 59)

of the reporting member banks declined over $1.8-billion. Business loans accounted for $886,000,000 of the decrease. This is a startling contrast with the same period one year ago, when gross loans dropped only $399,000,000 while business loans actually *increased* $314,000,000.

Furthermore over $1-billion of circulation returned to the banks, and, at mid-month, weather conditions slowed the collection of checks in payment for income taxes, resulting in a larger than usual rise in the float. Because of these delayed collections the Treasury was forced to resort to temporary borrowing from the Federal Reserve, which by January 19 rose to $424,000,000.

So much addition to the floating supply of money naturally enabled the banks to ease their reserve positions, so that by January 27 their borrowings from the Federal Reserve banks had declined to only $112,000,000. One year earlier such borrowings had been $1.3-billion.

In consequence all during January the banks reported excess reserve positions substantially exceeding any indebtedness to the "Fed," completely reversing the situation which existed a year earlier.

Open Market Committee Takes Offsetting Measures

From December 29 to January 27 the Federal Reserve portfolio of Government securities declined about $1.3-billion. All repurchase agreements with dealers were eliminated in the first two weeks and accounted for about one-half of the decline. Then at the end of the month maturing Treasury bills were not replaced and sales of other bills were made in the market. When the special certificates were received from the Treasury, enough bills were sold to offset, largely, the acquisition.

Some surprise was expressed that heavier sales were not made, and the conclusion was drawn that the action taken was to lower the money rates and not to reverse the trend. This was confirmed when the rediscount rate was reduced.

"Have you tried taking up a collection?"

Rediscount Rate Reduced

Effective February 5 five of the Federal Reserve banks reduced the rediscount rate to $1\frac{3}{4}$ percent from the 2 percent rate which had been in effect since January 16, 1953. The other seven banks took similar action shortly thereafter.

Although referred to by "spokesmen" for the Reserve authorities as merely a readjustment of the rate to existing conditions, the change in the rate is: (1) a confirmation that the easier money conditions are not merely temporary; (2) a pretty clear indication that the monetary authorities do not anticipate renewed demand for credit shortly; (3) evidence that the authorities in the fight against a recession in business volume intend "to get there first with the most" so far as credit is concerned, and (4) that the carefully maintained prime rate of $3\frac{1}{4}$ percent for bank loans is in danger of having the rug pulled from under it. So far as the credit supply is concerned the action of the Federal Reserve was just a loud "amen" to the hymn of ease which has been sung ever since 1954 began.

Market Action

What happened to the whole market for Government securities can be summarized very briefly: It went up. With occasional pauses, prices improved all through the list right up to when the Treasury refinancing was announced. Certificates were worth $\frac{1}{8}$ more. Notes gained $\frac{3}{8}$ to $\frac{1}{2}$ a point. The intermediate-term bonds gained $\frac{1}{2}$ to $\frac{3}{4}$. The longer bonds rose from $1\frac{1}{4}$ to over 2 points.

Then the new financing put plenty more bonds into the intermediate maturity range, necessitating price readjustment for other outstanding issues. With new bonds available at $2\frac{1}{2}$ percent, or only slightly less, the older issues could be sold and long-term profits taken on most of them. But the readjustments were confined for the most part to $\frac{1}{8}$ to $\frac{3}{8}$. The longer bonds also reacted from $\frac{1}{2}$ to $\frac{3}{4}$, possibly in anticipation that another longer-term issue would be forthcoming later.

But with the drop in the rediscount rate, the market largely cancelled these small declines, and at the close of business on February 5 the new $2\frac{1}{2}$ percent bonds had risen to 100 27-29/32. The new 1-year $1\frac{5}{8}$ percent certificates at 100 16-18/32 showed a yield of only 1.13 percent. The long-term $3\frac{1}{4}$ percent bonds crossed 107 to yield 2.83 percent, while the $2\frac{1}{2}$ percent bonds 1967/62 again went through 100 and at 100 16/32 had a yield of only 2.43 percent.

Increase in Trading Volume

For most of January, although prices were improving, the volume of trading was relatively light. Dealers were carrying very moderate portfolios and active demand was spotty.

But the announcement of the Treasury financing changed all that overnight. All sorts of opinions were held as what was best to do. In many cases corporations took profits and bought bills. Some did one thing, others another. Banks took profits on some issues and got back in other issues. Not for a long time has there been a period of such active trading.

Operations Clinic

(CONTINUED FROM PAGE 43)

The discussion was detailed, reviewing for the bankers the code's impact on commercial paper, collections and deposits, and loans on personal property or secured transactions.

Tax Panel

A tax panel was moderated by William H. Hurtzman, vice-president and comptroller, The First National Bank of Philadelphia. Participants were A. E. Pinkus, assistant comptroller, The National City Bank of New York; George Ehrhardt, assistant vice-president, The Hanover Bank, New York; and James Stacy, tax consultant, The Philadelphia National Bank.

Reviewing the outlook for further changes in tax rates, Mr. Pinkus said:

"The appropriate thing to do is to continue to accrue for corporate income taxes at 52 percent until it is definitely known that there will be a change in the tax rate. It is more conservative to accrue for the full liability and then be able to release part of the accrual should any rate decrease go into effect, rather than to accrue at a rate lower than 52 percent and have to charge earnings later in the year for the additional accrual required if the statutory rate decrease should be nullified.

Mrs. Ivy Baker Priest, Treasurer of the U. S., talked to the clinic about Government fiscal measures and the duties of her office. Pictured with her at the opening session are Alfred H. Williams, *left*, president of the Federal Reserve Bank of Philadelphia, and J. C. Warner, Jr., president of the PBA

"It is not absolutely necessary that legislation be enacted by April 1 for the rate to stay at 52 percent. It can be done later in 1954. Although the excess profits tax law was scheduled to expire July 1, 1953, the legislation extending it was not enacted until after that date; and there are other precedents."

Check Fraud

George R. Schultz, vice-president, Central-Penn National Bank, Philadelphia, outlined for the clinic steps banks should take in combating fraudulent check operators. He reported on the work of the PBA's Procedures and Practices Committee, which has prepared a new protective manual designed to help safeguard banks against external criminal threats.

"Remember," Mr. Schultz told the bankers, "it's the bank's responsibility to get sufficient information from a person before cashing a check, so that the person may be traced through the information given if difficulty should develop later. A good question is: 'Will I

be able to reach this person if for any reason this check does not clear?'"

Savings and Interest

The recent trend of savings deposits and interest rates in Pennsylvania was traced by J. Edwin Wilson, chairman of the PBA Analysis, Costs and Charges Committee, and vice-president and comptroller, Peoples First National Bank and Trust Company, Pittsburgh. Mr. Wilson analyzed data obtained in a chart study, for the period 1946-52, covering the increase in total and savings deposits; percentages of savings to total deposits; savings withdrawals; effective interest rates paid on savings; gross income as a percent of total deposits; percentage of gross paid out as savings interest; and relation of deposits withdrawn to average daily savings deposits.

FDIC Assessment Accounting

William G. Loeffler, controller of FDIC, discussed accounting for Federal deposit insurance assessments, explaining the items on the certified statement sent to the corporation.

"It is in the actual computation of the eligible deductions where many, if not most banks, have made errors," he said. "You will note that the law provides that, to be eligible for deduction, the balances must be subject to immediate withdrawal. This means they must be collected balances and not balances represented by uncollected funds. Therefore, in computing the deductions it is necessary to compute the actual collected balances in both the 'due to' and 'due from' accounts. Any uncollected cash item represented in the book balances must be subtracted in order to arrive at the proper balance for computing the deduction."

Some Operating Questions

Improvement of operations is a full-time job, said Harry E. Mertz, secretary to technical commissions, National Association of Bank Auditors and Comptrollers.

"No phase of operations should be overlooked," he said. "What about printed forms? Are they stereotyped, or do they reflect imagination, originality and that personal touch so vitally important to good public relations? Are you using mechanical equipment wherever feasible and where they can be profitably employed? Are your employees adequately compensated?

"Do you know the productivity of your employees, and your individual departments? Are working conditions and facilities satisfactory? Is working space at least above average so as to provide working space adequate for easy flow of work? Do you know your costs?"

J. C. Warner, Jr., PBA president, and president of the First National Bank of Milford, told the clinic: "In this era of fast dollars and growing competition, we are required to be specialists in our field—and this goes doubly for operations and service rendered."

PBA Issuing Book on Code

The Pennsylvania Bankers Association is publishing "Pennsylvania Banks and the Uniform Commercial Code," a non-technical manual. It is being prepared by counsel for the Philadelphia and Pittsburgh clearing house associations and the PBA.

The 200-page book, to be ready late in April, will explain the Code's impact on the banks.

How Microfilming Ledger Sheets Saves Money, Time, and Space

The Valley National Bank of Phoenix, Arizona, was faced with a serious space problem in storing their ledger records. Their ledger sheets had outgrown the vault, and twice outgrown rented storage space outside the bank.

Something had to be done to shrink this mountain of paper. And the ideal way proved to be with Remington Rand Film-a-record. In six months' time, ledger records for a period of 11 years were microfilmed, indexed, and filed away in the vault—eliminating all need for extra storage space.

The bank reports these important

BEFORE

AFTER

savings in money, time and space: Besides virtually wiping out the cost of storage space, future outlays of expense to move records have been avoided. Records are located in less time than it would take a clerk to get ready to go to the warehouse, to say nothing of the trip itself and the tedious searching through warehouse stacks and storage boxes. As an additional premium, records are fully protected now that they are safely stored away in the vault.

For the complete story of these savings and how they were accomplished, circle CR911.

Remington Rand Announces The NEW, Fully Automatic Printing Calculator

A machine, so new, so advanced in design and performance that it offers a perfect answer to the figurework problems of the Banking field.

Typical of these specialized figure work requirements are the computation of interest, dividends, fees, income, market values, reserves, earnings, averages, service charges, amortizations, ratios, and pre-scheduling of monthly loan payments.

The new Remington Rand Model 99 Printing Calculator automatically multiplies, divides, adds and subtracts amounts up to ten trillion. It proves and prints every calculation on the tape. It's the *first* fully automatic printing calculator with *all* these outstanding features:

Simpla-tape . . . printed proof in black and red with all the essential elements, no superfluous or confusing figures.

Fully automatic multiplication . . . with push-button ease.

Automatic division . . . one key to all your answers, automatically.

Automatic credit balances . . . minus totals distinctively signalled as credit balances.

10-key touch addition and subtraction . . . effortless speed through touch operation of simplified 10-key keyboard.

Constant key . . . Remington Rand's exclusive multiplication memory feature.

Total control . . . for individual or accumulative totals, automatically.

Two-color ribbon . . . totals, subtotals and credit balances printed in stand-out red.

For details, including specific application, circle C669 in the coupon provided for your convenience.

Remington Rand INC.

Room 1900, 315 Fourth Ave., New York 10

"Yes, I'd like to have the literature circled."

C669 CR911

Name__________

Title__________

Address__________

City_____ Zone_____ State_____

B-10

Profit-Building **IDEAS** For Business

Instalment Sales Financing

(CONTINUED FROM PAGE 55)

permitted to create a reserve for bad debts and take a deduction in the profitable high tax years when these contracts were made. Now, he can take the deduction for bad debts but there is little if any profit to offset the losses. Raising cash at this stage represents an exceedingly difficult problem for the dealer. His credit position has been seriously weakened. Most dealers create cash by running huge sales at a low markup or at cost in order to obtain contracts which, in turn, are discounted with the bank to realize cash to replace the delinquent receivables which the bank requires to be repurchased. The only salvation which can end this vicious circle is an immediate improvement in the economy. Congress should be alerted to the problem.

Despite certain broad language in the Internal Revenue Code, a true pledge has never been held to be a taxable transaction, and the courts have indicated that it is not a taxable event.[10] But, to take advantage of this fact, the arrangement with the finance company should be drafted carefully and distinctly as a pledge, the parties should conduct themselves accordingly, and sufficient records should be maintained by the dealer.

If the dealer must discount his receivables, he should try to reach an agreement with the finance company as follows: repossession losses will be charged by the finance company directly against the holdback credit and the dealer's liability as guarantor will not arise until the holdback credit, or as much of it as possible, is exhausted; before any rights to the holdback credit arise in favor of the dealer, the credit must exceed all charges for losses plus a stated percentage of the uncollected receivables.

[10] Elmer v. Comm'r, 65 F. (2d) 568, (1933) at page 569, 12 AFTR 833, at page 834.

When both a speaker and an audience are confused, the speech is profound.

Public Relations

(CONTINUED FROM PAGE 45)

"Who are the NO-men? They are the men with the money, the machines and the OKs. They are:

"The banker who says, '*NO*—we must maintain our conservative tradition.'

"The company director who says, '*NO*—We may have a recession.'

"The businessman who says, '*NO*—we have always done it this way.'

"The lawyer, who is often a director, who says, '*NO*—there's a chance we may be wrong.'

"If you take a look at the board of directors of almost any American company," continues Mr. Cunningham, "this is what you are likely to find: several bankers, several lawyers, a professional trustee or two, maybe a descendant of the founder, and—finally and always—the president of the company, always the officer in charge of finance, often the vice-president in charge of production, sometimes—too seldom—the vice-president in charge of sales. These men may be pillars of the national community, but in most cases these pillars do not rest on a foundation that includes much knowledge of the force called advertising.

"The difference between us advertising men and bankers is that they do not appreciate our commodity nearly as much as we appreciate theirs.

"This we must rectify."

Colonial Trust Company of Waterbury, Conn., has an active school relations program that includes bank tours by high school seniors. Assistant Vice-president L. D. Warner, who in the picture is showing a student how to write a check, says the time and effort are justified "in the simple concept that where a bank fulfills a need in the community, the community will fulfill the needs of the bank"

Office Openers

WHEN the EAST RIVER SAVINGS BANK, New York City, opened a new office on John Street, it published an interesting brochure, in two colors, chronicling the early history of this old lower Manhattan thoroughfare. Illustrations include the old Royal Theater on John Street where Washington often saw repertory of Shakespeare, Congreve, and Goldsmith.

"You're Invited" was the title of a colored folder issued by MEMPHIS BANK & TRUST CO., to mark the opening of its new main office. Features of the building were shown in drawings.

In Brief

The HUDSON COUNTY NATIONAL BANK of Jersey City, New Jersey, held extensive "Welcome Week" festivities to mark the opening of its renovated and enlarged Journal Square office. One feature was a Wells Fargo overland stage coach, which made trips between the main office and branches in nearby communities, symbolizing the fact that the Hudson County was the "pioneer" commercial bank in the city.

MANHATTAN SAVINGS BANK, New York, had a small-scale "truckarama" in its windows and lobby while the General Motors motorama was showing a few block away. Models carried truck history back to the one-cylinder job of 1902.

BANK OF MONTREAL has published a new edition of "My Bank," a manual for its employees.

THE FARMERS AND MECHANICS NATIONAL BANK of Los Angeles is using outdoor painted bulletin boards in its new bank-by-mail campaign. The signs feature a large clock to emphasize the 24 hour service.

THE DIME SAVINGS BANK of Brooklyn, New York is planning to hold an international orchid show in its rotunda next October.

CITY NATIONAL BANK AND TRUST COMPANY of Chicago now has two TV shows a week.

Public's Attitude

(CONTINUED FROM PAGE 36)

In closing this report on the Council's fact-finding activities, a word of caution seems desirable—caution about accepting the validity of opinion polls too literally. For example, it should be emphasized that the answers to the surveys in Indianapolis, Syracuse, Spokane, and Birmingham are not necessarily representative of all American cities—only the four surveyed.

Defined as a "flash of light that reveals only a split-second attitude," public opinion polls have limitations. They are not necessarily conclusive—not a "verdict for all time" or the "will of the public." They are of great value, of course, but by no means perfect. For that reason, caution in interpreting results is of the greatest importance.

The trouble is people. We can measure their height, weight, and waistline. But people's opinions—mercurial, contradictory, responsive to many pressures and with varied reference points — are not easily measured. People's attitudes change. Their opinions cannot be pinned down, defined, and catalogued. Frequently mood and conflicting loyalties have a lot to do with the answers given to a particular set of questions.

A Major Function

Conscious of these shortcomings in opinion taking, the Public Relations Council of the A.B.A. will continue to "ask the people." From time to time it will supplement its fact-finding activities with collateral surveys, such as a survey of TV and radio to find out what is being said about banks and bankers.

People are dynamic. Keeping up with their changing tastes and attitudes requires constant vigilance. The Public Relations Council will continue to dig for the facts in bank public relations and make them available to A.B.A. members. That is one of its major functions.

The increase in automobile accidents late at night is due to a combination of head lights and light heads.

Bank Financing Builds Mining Town

ARIZONA has a new mining town, San Manuel, 43 miles northeast of Tucson. It's being built for the men who will work a huge deposit of copper and molybdenum in the Red Hill area of the San Pedro Valley.

San Manuel isn't the sort of mining town you see in the movies. Rather, it's described as "the nation's most modern mining community." Four hundred of the first bloc of 1,000 smart new homes have been built. They have carports, porch-patios, landscaping, dishwashers, tile baths, gas stoves, refrigerators. The business area, now in partial operation, is equally up to date.

A year ago there wasn't any San Manuel on this southern Arizona acreage. But there was, eight cactus-covered miles away, the ore deposit that had been known to Magma Copper for some time; and available for its development was a $94,000,000 RFC loan.

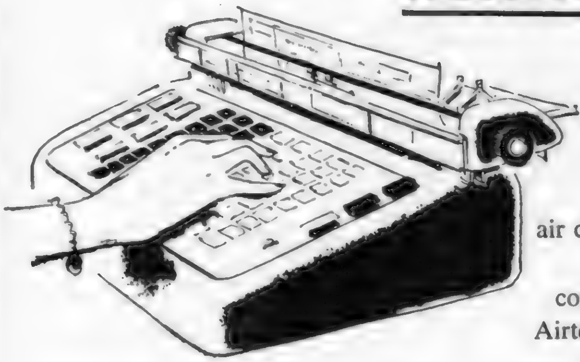
Magma's plans included the construction of a modern little city.

About $8,000,000 in interim capital was needed for the job. Valley National Bank of Phoenix spearheaded the underwriting; later the First National Bank of Boston came in, too—and now the town is doing business.

The first grocery in San Manuel was opened by Rulon Goodman. In the picture Mr. Goodman, *left*, and John M. Sakrison, president of the Southern Arizona Bank & Trust Co., Tucson, load a money bag on the old stage coach that was part of a wagon train carrying supplies to San Manuel

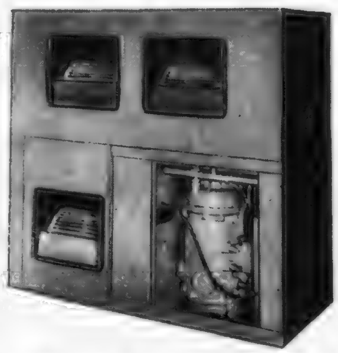
Is water for air conditioning a problem?

get CHRYSLER AIRTEMP Waterless Air Conditioning!



The operation of conventional air conditioning requires water. So banks in locations where water is scarce in summer, expensive, unusually hard or corrosive, or difficult to dispose of, may feel that air conditioning is impractical. But now Chrysler Airtemp advanced engineering has made modern air conditioning practical for any bank—*anywhere!* Chrysler Airtemp *Air-Cooled* Air Conditioning uses only electricity —no water whatsoever. Because no plumbing is needed, it costs less to install. And it's a compact package which takes up so little space!

Whether you install Chrysler Airtemp Air-Cooled or Water-Cooled "Packaged" Air Conditioning . . . you can depend on the attraction of a refreshingly comfortable atmosphere to provide a valuable means of building goodwill. With Chrysler Airtemp Air Conditioning in your bank, the general efficiency of your employees will improve—frequency of costly errors will be reduced. And the clean, cool, healthful atmosphere created by air conditioning will improve the morale of your staff to the point that turnover will be minimized. Send coupon now for complete details!



"Packaged" Air-Cooled Air Conditioners, which operate without water, and water-cooled types in nine models, 2 through 15 H.P. Other Chrysler Airtemp products for all systems of air conditioning—a complete line to suit every requirement.

Guaranteed by Good Housekeeping

CHRYSLER AIRTEMP

heating • air conditioning for homes, business, industry

Airtemp Division, Chrysler Corporation Dayton 1, Ohio

Airtemp Division, Chrysler Corporation B-3-54
P.O. Box 1037, Dayton 1, Ohio

I'd like to know more about Chrysler Airtemp Air Conditioning.

Name____________________

Address____________________

City__________ Zone____ State______

Uniform Commercial Code IV

(CONTINUED FROM PAGE 70)

care" is not defined in the code, it seems clear that in a state adopting the code the court could not hold that a stipulation releasing the bank from liability for paying as a result of inadvertence or accident is a valid contract unless the bank exercised ordinary care.

Official Comment

The official comment in the code on this question reads as follows:

"A payment in violation of an effective direction to stop payment is an improper payment, even though it is made by mistake or inadvertence. Any agreement to the contrary is invalid under Section 4.103(1) if in paying the item over the stop-payment order the bank has failed to exercise ordinary care."

By applying the "ordinary care" test, the code departs from the majority rule. It was realized, however, that under the circumstances banks are entitled to contract for some protection against loss for which the customer is partly responsible. With this in mind, Section 4-407, printed below, provides for the bank a valuable remedy which has been denied to it by some courts. In case of liability for paying a stopped check the bank under the code is entitled by subrogation to the rights of a holder in due course and of a payee, or other holder against the drawer. It can also assert the rights of the drawer against the payee.

The bank is given further protection by a provision in Section 4-403(3) of the code which reads:

"The burden of establishing the fact and amount of loss resulting from the payment of an item contrary to a binding stop-payment order is on the customer."

Disclaimer Enforceability

The enforceability of disclaimer clauses with or without the code will continue to be a matter for judicial determination. It is interesting to note that in January of this year the Supreme Court of Pennsylvania held that a signed release of a bank from all liability where, in violation of a stop-payment notice, it pays a check through "inadvertence, accident or oversight," did not protect the bank. This was held to be a stipulation against negligence and void *per se* as against public policy. The courts cited the Uniform Commercial Code, Section 4-103(1), as a declaration of public policy although it held the code inapplicable because not effective until July 1, 1954.

Code Disclaimer Clause

In the interest of good customer relations some banks, even in those states where protective agreements are not against public policy, have dispensed with disclaimer clauses; others feel justified in their continued use. All banks will be interested in the protection afforded them in Section 4-407. Because of its importance this section is printed in full as follows:

"If a payor bank has paid an item over the stop-payment order of the drawer or maker or otherwise under circumstances giving a basis for objection by the drawer or maker, to prevent unjust enrichment and only to the extent necessary to prevent loss to the bank by reason of its payment of the item, the payor bank shall be subrogated to the rights

(a) of any holder in due course on the item against the drawer or maker; and

(b) of the payee or any other holder of the item against the drawer or maker either on the item or under the transaction out of which the item arose; and

(c) of the drawer or maker against the payee or any other holder of the item with respect to the transaction out of which the item arose."

Transcript of the A.B.A.'s panel discussion of the Uniform Commercial Code is available upon request.

FINANCIAL STATEMENT AS OF DECEMBER 31, 1953

WALTER E. HELLER & COMPANY

AND SUBSIDIARIES

ASSETS

Cash		$11,630,061
Notes, Accounts Receivable and Factored Accounts		$101,555,050
Less: Balances Withheld	$15,361,578	
Reserve for Losses	1,938,854	17,300,432
Net Receivables		$ 84,254,618
Prepaid Interest and Other Expenses		755,960
Automobiles, Furniture and Fixtures		2
		$ 96,640,641

LIABILITIES

Notes Payable	$41,470,000
Accounts Payable including Taxes	6,813,038
Long Term Notes Payable	26,730,000
Unearned Discounts	3,010,543
Minority Interest in Subsidiary	1,291,744
Capital Stock	7,506,536
Surplus	9,818,780
	$96,640,641

10 YEAR COMPARATIVE FIGURES

Year ended Dec. 31	Capital				Net Income	Preferred Dividends Paid	Common Dividends Paid	Common Stock*		
	Total	Preferred	Common	Surplus				Earned per Share	Dividends Paid per Share	Book Value per Share
1944	$ 5,370,240	$2,750,000	$ 508,344	$2,111,896	$ 483,125	$133,199	$203,338	$1.05	$0.61	$ 7.81
1945	5,535,825	2,750,000	511,944	2,273,881	498,833	151,250	204,778	1.03	.61	8.24
1946	7,835,035	3,738,120	656,874	3,440,041	650,311	165,374	241,596	1.12	.61	9.45
1947	7,940,867	3,687,572	656,882	3,596,413	659,957	190,493	262,752	1.08	.61	9.81
1948	8,237,703	3,662,021	656,882	3,918,800	801,823	187,408	295,597	1.42	.68	10.55
1949	8,546,057	3,640,344	656,882	4,248,831	811,779	186,151	295,597	1.44	.68	11.32
1950	9,592,394	4,122,043	722,572	4,747,779	1,148,567	196,368	387,561	2.19	.89	12.62
1951	10,993,215	4,806,026	867,088	5,320,101	1,361,723	247,471	397,414	2.57	.91	14.27
1952	12,072,974	4,719,500	867,088	6,486,386	1,559,406	245,028	476,898	3.03	1.10	16.96
1953	17,325,316	6,369,300	1,137,236	9,818,780	2,071,582	265,396	702,977	3.17	1.45	19.27

*Giving effect to 20% stock dividend in January 1952, and 10% in July 1950.

WALTER E. HELLER & COMPANY *Established 1919*

105 WEST ADAMS STREET CHICAGO 90 ★ 10 EAST 40TH STREET, NEW YORK 16

FINANCING FOR INDUSTRY

This company serves manufacturers, distributors, processors and wholesalers desiring financing service auxiliary to their regular commercial banking connections. ☆ ACCOUNTS RECEIVABLE FINANCING ☆ REDISCOUNTS ☆ INSTALLMENT FINANCING INVENTORY AND EQUIPMENT LOANS ☆ MOTION PICTURE PRODUCTION LOANS ☆ FACTORING

The Manufacturer Looks at Instalment Credit

(CONTINUED FROM PAGE 73)

accommodation through the Westinghouse equity plans.

"Since 1949, Westinghouse has maintained seven district finance representatives for the sole purpose of maintaining, developing, and improving dealer - manufacturer - bank relations. In turn, some 700 or more Westinghouse distributors' field representatives have been trained to do likewise."

Crosley has recently announced the establishment of a repurchase plan (AVCO Security Plan) similar to that of Westinghouse under which both the distributor and manufacturer will endorse wholesale and retail loans made by banks who come into the plan. The distributor-factory under the Crosley plan will assume responsibility for checking dealer inventories. A program of training and supervision of dealers in sound management practices is an integral feature of the plan.

Other manufacturers have more limited repurchase plans. The Philco Corporation will give a repurchase of merchandise agreement to any bank floor planning for its distributors. The Bendix Aviation Corporation has also recently established a repurchase plan.

Whether these plans and programs will solve all the problems inherent in appliance financing only time will tell. But this much is certain. They are an earnest of good faith on the part of the manufacturers, and a measure of a genuine interest to meet the requirements of bankers in financing appliances.

It is also worth noting that there exists substantial agreement between the bankers and the manufacturers. The bankers (see BANKING, January 1954) recognize that banking accommodations for appliances are less than adequate, particularly in the rural areas.

On the other hand, the manufacturers agree with the bankers that in some cases bank rates may be too low to make floor plan financing profitable. The manufacturers also have a keen appreciation of the fact that bankers are not in a position to take undue risks with their financing.

This common understanding is perhaps more important than the differences which divide them at one point or another. On the basis of this understanding, there is every reason to believe that together they can find the answers to any common problems.

State Level Credit Meet

THE first New York State Conference on Consumer Credit has been scheduled for Syracuse University April 15, with Professor Eric Lawson as general chairman.

Arno Johnson, vice-president and director of research of J. Walter Thompson Co., New York City, will be the principal speaker for the sessions, which will include panel discussions on a variety of consumer credit problems.

The one-day conference has been divided into three parts: Consumer credit and the public interest; the consumption viewpoint; and consumer credit and business.

Interested bankers may receive complete information from Miss Eleanor Ludwig, Coordinator of Conferences, University College, 601 East Genesee Street, Syracuse, New York.

Trustmen

(CONTINUED FROM PAGE 98)

unemployment is not in the making," Dr. Marcus Nadler, professor of finance at New York University, told the trustmen. "This conclusion," he said, "is based not so much on what measures the Federal Government may adopt to stimulate business activity, but rather on the strength of the American economy, which is sound and growing. No abuses of any importance have occurred in any sphere of economic activity. . . . The present readjustment is not likely to last long nor be very serious in character. It will, however, be marked by increased competition which may become keener than ever before and by a reduction in the margins of profit."

While speaking of equities, Dr. Nadler said that "in the selection of equities the trust investment officer under present conditions would be well advised to purchase those of companies which have not only good management but also whose products are well established and are not threatened by new products."

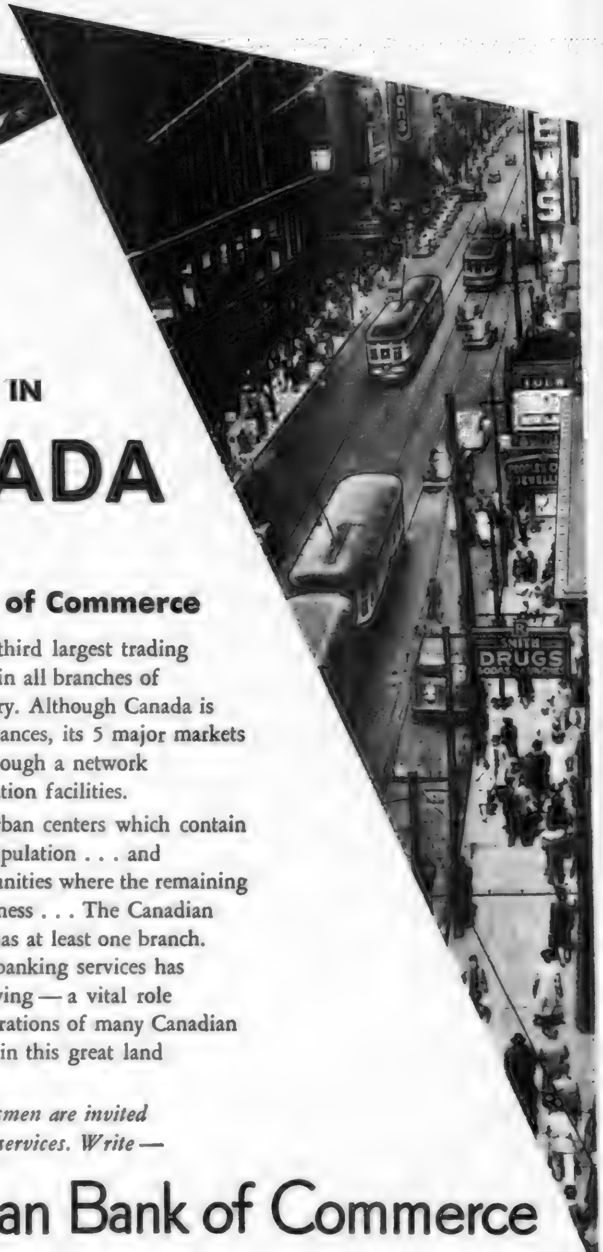
He anticipates that the long term trend of interest rates is downward and that it appears advisable to acquire long term bonds now, but should the downward swing go too far, then shorter term obligations will become more attractive to buy and to hold until the abnormal swing has passed.

Investments

A panel on "Investments" followed Dr. Nadler's address. Those participating included Robert Coltman (Philadelphia National Bank), chairman of the Trust Division Committee on Trust Investments; Henry M. Bodwell, The Northern Trust Co., Chicago; Robert H. Daniel, The

(CONTINUED ON PAGE 133)

Seville S. Reulein, Ithaca, N. Y.; J. C. Carlin, Cortland, N. Y.; Joseph A. Anderson, New York City, *standing*; J. G. Nicol, Johnson City, N. Y.; and Donald J. Clark, Meriden, Conn.


SMITH
DRUGS

Trustmen

(CONTINUED FROM PAGE 130)

First National Exchange Bank, Roanoke; F. W. Elliott Farr, Girard Trust Corn Exchange Bank, Philadelphia; Gilbert H. Palmer, The National City Bank, Cleveland; Frank M. Perley, American Security & Trust Co., Washington; and F. J. Thieme, Jr., Citizens National Trust & Savings Bank, Los Angeles.

A rapid growth in on-the-job executive development programs in banks was forecast by William Powers, A.B.A. deputy manager and director of customer and personnel relations.

"The point I must conclude on now," he said, "is that executive development is currently one of the A.B.A.'s most important concerns.

"The Association plans to consolidate its rather extensive experience in on-the-job experience in a handbook for bank executives."

Balancing Rights

William J. Jameson (Billings), president of the American Bar Association, aroused great interest with an address on "Balancing Individual Rights and National Security." He reviewed the policy of his association with respect to apprehension and trial of subversives, including its attitude toward lawyers who defend communists.

"The American Bar Association takes the position that reliance upon this (Fifth) amendment should disqualify a lawyer from the practice of law," he said. "I am, of course, referring to his reliance upon the amendment personally, and not as an attorney for some client. . . . It seems to me to be clear that any

When old friends get together. Foreground, *left to right*, Genieve N. Gildersleeve, assistant secretary, Trust Division; Joseph M. Naughton, president, Second National Bank, Cumberland, Md.; Reno P. Ransom, vice-president, Seattle-First National Bank, and Earl S. MacNeill, New York City, members, Executive Committee, Trust Division

ROBERT COOPE

citizen, whether lawyer, teacher, or government employee, has a perfect right to rely upon the privilege granted by the Fifth Amendment and thereby avoid incriminating himself; but by so doing, whether he asserts that privilege honestly or dishonestly, he should be disqualified from practicing law, teaching in our schools, or holding a position of trust in our Government."

Freedom Is In Trust

A rousing ovation greeted Rear Admiral of the U. S. Navy (retired) Leslie E. Gehres (San Diego), whose subject was "Freedom Too Is Held in Trust." With eloquence and the conviction of one thoroughly versed in the devious methods of the communists, Admiral Gehres reviewed our postwar dealings with the Reds, and dramatically warned that "the Russians are off balance right now. Now may be the last opportunity we will ever have to shake them off their tightrope. Once they regain a stable platform, once they overtake our narrowing lead in nuclear weapons, once the restless and desperate people of the captive countries are finally disillusioned of their hopes of help from the West, then the bear that walks like a man will break the truce and again attack.

ROBERT COOPE

W. T. Hackett, vice-president and trust officer, The Huntington National Bank, Columbus, discussing "Estate Planning and Business Development"

"We have one road to peace and security. It is hard and rocky and all uphill." He called for recognition of the danger in which we live, courage to face it, and determination to build and maintain our strength, regardless of cost, and personal individual rededication to the principles upon which this nation has stood.

Following the tradition of previous years, the trust conference was concluded with a luncheon in the grand ballroom of the Waldorf-Astoria, tendered by the New York Clearing House. J. Stewart Baker, chairman of the Clearing House Committee, and chairman of the Bank of the Manhattan Company, welcomed the trustmen.

Eugene R. Black, president and chairman of the executive directors, International Bank for Reconstruction and Development, Washington, was guest speaker. Speaking on "Foreign Investments," Mr. Black reviewed the need for private American investment abroad. "Very large sums," he said, "of American money are already being invested abroad. Direct investment, including the plowing back of corporate profits, has been proceeding at the record rate of well over $1-billion a year."

On the subject of foreign bond defaults in the 1930s, Mr. Black said that "many of these have in fact been settled. . . . It is also important to remember that a large group of foreign countries did not default on their publicly issued bonds."

March and April issues of Trust Bulletin *will carry full text of speeches.*

News for Country Bankers

(CONTINUED FROM PAGE 69)

duction, brought out a record attendance. Not since livestock prices began to tumble last year has there been a joint meeting of farm experts and bankers on this subject.

Lending policies of banks were discussed, as well as the latest methods of livestock production. The chairman of NCBA's Livestock Committee, J. R. Austin of The Peoples Bank at Roxboro, said that "many bankers share the dilemma of farmers in these uncertain times. Farmers don't know whether to expand their livestock production, and many bankers are not certain that livestock loans are sound investments."

Among the bankers participating in the forum were:

Edward A. Wayne, vice-president of the Federal Reserve Bank of Richmond; Herman E. Vernon, farm representative of the Planters National Bank and Trust Co. of Rocky Mount; Wayne A. Corpening, farm representative for Wachovia Bank and Trust Co., Winston-Salem; and E. D. Gaskins, farm representative of American Bank and Trust Co., Monroe.

Bankers were accompanied to Raleigh by their county farm agents, so that a free exchange of ideas on a local level could be had.

Valley's News Digest

A NEW service for Valley National Bank depositors and friends engaged in agricultural and livestock activities was born recently with the publishing of the initial issue of a sprightly, fact-packed *Monthly News Digest*. Editor of the publication is C. C. Cooper, Jr., field representative in the bank's agriculture and livestock loan department. Contents are checked by C. H. Patten, department vice-president, and the final writing is handled by the bank's public relations division.

Widely known to cattlemen and farmers throughout the state, Mr. Cooper recently received national publicity as the result of his frequent use of a Piper Cub airplane in visiting ranches and farms in the outlying sections of Arizona—as well as the bank's 34 branch offices blanketing the state.

His survey flights and personal visits provide bank officials with a quick, accurate picture of general agricultural and livestock conditions—thus affording more accurate estimates of crop yields and cattle prospects.

Farm Youth Exchange Plan

THE International Farm Youth Exchange program will be strengthened in 1954 as a result of a recent grant of funds from the Ford Foundation to the National 4-H Club Foundation.

With the assistance of the Ford Foundation grant, nearly 135 two-way exchanges will take place this year with nearly 40 countries in Europe, the Near and Far East, Latin America, the South Pacific, Asia, and Africa. Included in the over-all exchange are 25 rural youth from India and 10 from Pakistan who will come to the U. S. under a special phase of the International Farm Youth Exchange conducted in cooperation with the Ford Foundation program in these countries. In return, 10 U. S. delegates will visit India and five will go to Pakistan.

Bankers View the Future

Here are comments on the business and banking outlook, culled from the 1953 bank reports.

CREDIT AND RESERVES

Bankers Trust Company, New York: S. SLOAN COLT, president.

IF the slackening in the rise of bank loans in the course of 1953 is a portent, the marked expansion of lending activity that characterized the past several years may be reaching its end. However, lending is likely to remain on a comparatively high level, since our economy will continue to need an enormous volume of bank credit. The Treasury's borrowing requirements will continue large, and the commercial banks may be expected to increase their holdings of Government securities in 1954. Unless inflationary pressures should reappear in the year ahead, bond yields are not likely to return to the levels of mid-1953. . . .

FURTHER ADJUSTMENTS

Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania: HOWARD C. PETERSEN, president.

THE look-ahead for business is cloudier than usual with portents pointing in almost all directions. It is our view that there will be further readjustments in segments of our economy, that we may expect a continuing high level of activity for the first part of the new year with a decline thereafter which will not reach major proportions in the calendar year.

The job of maintaining 1953's high level of bank operating earnings will be made difficult by the probable decline in loan demand and a possible further softening of interest rates.

DIAGNOSIS: "SOUND"

Irving Trust Company, New York City: WILLIAM N. ENSTROM, chairman; RICHARD H. WEST, president.

ON the basis of careful diagnosis of recent economic trends, the present situation appears sound. There has been an ebb and flow in business periodically over the years and it is reasonable to expect this to continue in our free market system. It is natural for business activity to show some slowing down after reaching new highs.

THE SOUTHWEST

First National Bank in Dallas: BEN H. WOOTEN, president.

UNQUESTIONABLY the nation's economy has been, and still is, undergoing broad readjustments. . . .

Although no section of the country can ever claim to be economically insulated from the influence of national conditions, the trend of industrial development in the Southwest lends strength to the belief that our region will continue to surpass the national average in economic growth for many years.

"AFTER TAXES"

The Chase National Bank, New York: JOHN J. MCCLOY, chairman; PERCY J. EBBOTT, president.

EVEN in 1953 bank earnings were low in comparison with other industries. Thus, the return for Chase on capital funds as of yearend 1953 was 14.4 percent before taxes, and 7.1 percent after taxes. . . .

A rate of return of 7.1 percent is at the lower end of the scale among the various industry groups. Moreover, this low rate, characteristic of commercial banking, carries in its train certain consequences that have a further adverse effect: it makes banking a relatively less attractive field for new capital. Yet our banks are the lifeblood of free enterprise, and if the nation's economy is to grow, the banks must grow with it. To accomplish this, bank capital must also expand.

SOUND CREDIT

First Security Corporation, Ogden, Utah: GEORGE S. ECCLES, president.

WITHOUT presuming to predict the future economic trend, we believe it is our responsibility to assist in maintaining economic stability, and this can be done by sound handling of the credit requirement of our customers. This is a growing area and we have every confidence in its future.

Measuring Your Market

(CONTINUED FROM PAGE 51)

Measuring Economic Level

If census tract information is used, there are tabulations available of measures of economic level. For example, the value of owned homes and the rental of rented homes or apartments has been tabulated for census tracts. Rental values and estimated rental values for owned dwellings are indicated in Table 1 and plotted out on Figure 1. Now it is possible to see that subdivision A which has 20 percent of the customers and has a coverage figure of 11 percent has an average home rental of over $50 per month. It is a high economic subdivision, and that is the explanation for the high ratio of bank customers. On the other hand, subdivision E provides only 14 percent of the bank's accounts and has only 3 percent coverage in a highly populated area. A partial explanation of this is indicated by the low rental average for the area.

By carrying through a parallel evaluation for each subdivision, it can be seen that the most profitable potential areas for the promotion of new business are areas D and F. These areas are above average in income. This contains many homes but are only covered to the extent of 4 percent and 6 percent with customers of the bank. F particularly offers promise because of its proximity to the bank. It should be perfectly practical to increase coverage to from 10 to 11 percent through promotion within the area and build up the number of customers correspondingly, since we know that is a goal which can be realized in a high economic area as exemplified by area A.

Expanding the Scope

Up to this point we have discussed bank customers in general in order to simplify the description of the procedure for making a geographic analysis for a bank. The principles are applicable for all types of specific classifications of bank customers. For example, this analysis could be carried out for those who have obtained loans in the preceeding year or for any specific period.

Table I

Area	*Dwelling Units*	*Proportion of Bank's Accounts**	*Number of Accounts***	*Proportion of Coverage*	*Average Monthly Rent****
A	12,000	20	1,315	11%	$52
B	9,600	10	670	7	36
C	7,200	8	500	7	42
D	24,000	15	960	4	45
E	31,200	14	925	3	29
F	26,400	25	1,586	6	44
G	9,600	8	494	5	48
	120,000		6,450		

* As determined from sample.
** By applying sample proportion to known total.
*** Owned homes' rental counted as 1 percent of valuation.

It can be limited to an analysis of those holding checking accounts, or of those with savings accounts.

Such an analysis can be made for safe deposit box holders. Any specific subgroup can be analyzed so that the bank can find out how good a job it is doing with the subgroup in various areas of interest. There can be no comparison with the positions of other banks since their corresponding records are not available. However, by comparing against known census data or similar material compiled by local chambers of commerce and so on, it is possible to find the strengths and weaknesses of geographic coverage by a bank.

The data to be used in any analysis depend primarily upon the decision to be made. If, for example, the question under consideration is a possible branch location, then existing data on location of present customers, public transportation facilities, parking facilities in the area, and other data should all be incorporated in the analysis and used to augment the basic figures. When this material is brought together and included in the information which forms a basis for the decision, the value of the decision will be enhanced substantially.

New Books

GUIDEBOOK TO FEDERAL ESTATE AND GIFT TAXES. Commerce Clearing House, Inc., Chicago. 135 pp. $2. Second edition of an explanation of the law and regulations, with filled-in forms.

GUIDEBOOK TO NEW YORK STATE INCOME TAXES. By *Samuel M. Monatt.* Commerce Clearing House, Inc., Chicago. 246 pp. $5. Information for individuals, partnerships, and fiduciaries. State treatment of each transaction is compared with the Federal. Filled-in forms, explanations, examples, and check lists are provided.

1954 PAY ALMANAC. By *William J. Casey, J. K. Lasser,* and *Walter Lord.* Business Reports, Incorporated, Roslyn, New York. 166 pp. $12.50. Here is a survey of major employee and management pay problems in 1954. It includes comparative data to help management set "intelligent policies" for executive, office, and production groups, and data on 90 important union contracts that either will expire or may be reopened this year. There are also sections on profit sharing, stock plans, pensions, welfare benefits, and business expenses.

THE FRONTIERS OF ECONOMIC KNOWLEDGE. By *Arthur F. Burns.* Princeton University Press, Princeton, New Jersey. 357 pp. $5. This book is a collection of 16 essays by the chairman of President Eisenhower's Council of Economic Advisers; it also includes the author's reports as director of research for the National Bureau of Economic Research. The writing, produced during the past two decades, covers business cycles, changes in distribution of income, and saving habits, among other subjects.

MAIN STREET

(CONTINUED FROM PAGE 30)

CHAPMAN C. FLEMING, national bank examiner and chief clerk for the Fourth Federal Reserve District, Cleveland, has been appointed assistant chief national bank examiner. He will be assistant to William P. Folger, chief national bank examiner of the United States.

WILLIAM M. DAVID has retired as senior vice-president in charge of the trust department of The Pennsylvania Company for Banking and Trusts, Philadelphia. He is succeeded in that office by ROBERT A. WILSON. ALBERT W. WHITTLESEY becomes senior vice-president; WILLIAM POTTER DAVIS 3RD and CHARLES H. MILLER were named vice-presidents.

ERNEST W. KILGORE is now vice-president of South East National Bank of Chicago.

WILLIAM G. BRUMDER, board chairman of First Wisconsin National Bank, Milwaukee, has been elected to serve also as president, succeeding WILLIAM TAYLOR, who has resigned for reasons of health. JOHN S. OWEN and JOSEPH W. SIMPSON, JR., were advanced to executive vice-president; new vice-presidents are SAMUEL E. CALLAHAN, DONALD A. HARPER, LOWELL C. KLUG, and AUSTIN S. LETT.

Horatio Alger Story

A. J. WALTZ, chairman of the board of the Ohio-Merchants Trust Company, Massillon, has celebrated his 60th anniversary with the bank. Fellow bankers and state banking officials gathered to do him honor. He was presented with an engraved plaque and a television set. *The Evening Independent* featured a story and picture of the event on its front page. MR. WALTZ had started with the bank as a janitor.

Wm. G. Brumder

A. J. Waltz

E. CHESTER GERSTEN, president of the Public National Bank and Trust Company, New York City, was guest of honor recently at a dinner given by senior officers of the bank to commemorate the anniversary of his 25th year as president. MR. GERSTEN was presented with a wood carving, a scale model replica of the bank's main office building.

Bank Wanted

PAUL A. BRACHER, secretary of the Pilot Rock, Oregon, chamber of commerce, writes that his town would like to have a bank.

"Pilot Rock," he writes, "is not a new boom town, but a small quiet western town in wheat and cattle country. It is surrounded by wonderful hunting and fishing of all types. There is a large lumber industry expanding here that has caused recent growth. The P. R. Lumber Company is now building a $5-million plant here to utilize mill waste. They intend to use the *complete* log and they have a 50-year supply of timber—and about a $2.5-million annual payroll.

"The Comptroller in Washington frowns on a branch bank here. It is felt a small state bank would be a great service to the community and a good investment for the stockholders. What we would like are contacts with a banker who has the money and know-how to establish a bank here."

JOSEPH F. MEYER, JR., vice-chairman of the board of the Houston (Texas) National Bank, has announced plans to retire after 50 years as a banker. He was president of the bank for 18 years. MR. MEYER will retain his title as vice-chairman, but plans to devote his time to other business interests and possibly to writing his memoirs.

DANIEL W. BELL, chairman and president of the American Security and Trust Company, Washington, D. C. and former Undersecretary of the U. S. Treasury, has been elected treasurer of the Greater Washington Educational Television Association, Inc. MR. BELL was with the Treasury for 35 years. He was assistant to the Secretary from 1935 to 1940; from 1940 to 1946 he was Undersecretary. From 1934 to 1939 he was acting director of the Bureau of the Budget.

***Left to right:* A. S. Puelicher, president of Marshall and Ilsley Bank, Milwaukee; C. F. Ilsley, board chairman; and John D. Wellman, executive secretary of the Milwaukee Community Chest. Mr. Wellman is accepting checks representing the bank's contribution in the names of 5,315 visitors who signed the guest book during the week-long open house celebrating completion of the bank's million-dollar remodeling project**

Green to NYSBA

C. WILLIAM GREEN has been named director of the Educational Foundation of the New York State Bankers Association.

The Foundation was organized by the commercial banks of New York state to: (1) Develop and disseminate knowledge of improved banking techniques and their value in meeting banks' responsibilities to their communities; and (2) to encourage the broadest possible public understanding and approval of the American banking system and of the vital role of banks in our economy.

MR. GREEN has served the NYSBA previously as chairman of its Committee on Public Information and as a faculty member of the Bankers School of Public Relations at Syracuse University. For the past two years he has been vice-president and associate trustee of Adelphi College, Garden City, New York. He is a former vice-president of The Franklin National Bank of Franklin Square, New York; was once director of the Public Relations Council of the American Bankers Association; and was for a time a member of the national staff of the Committee for Economic Development.

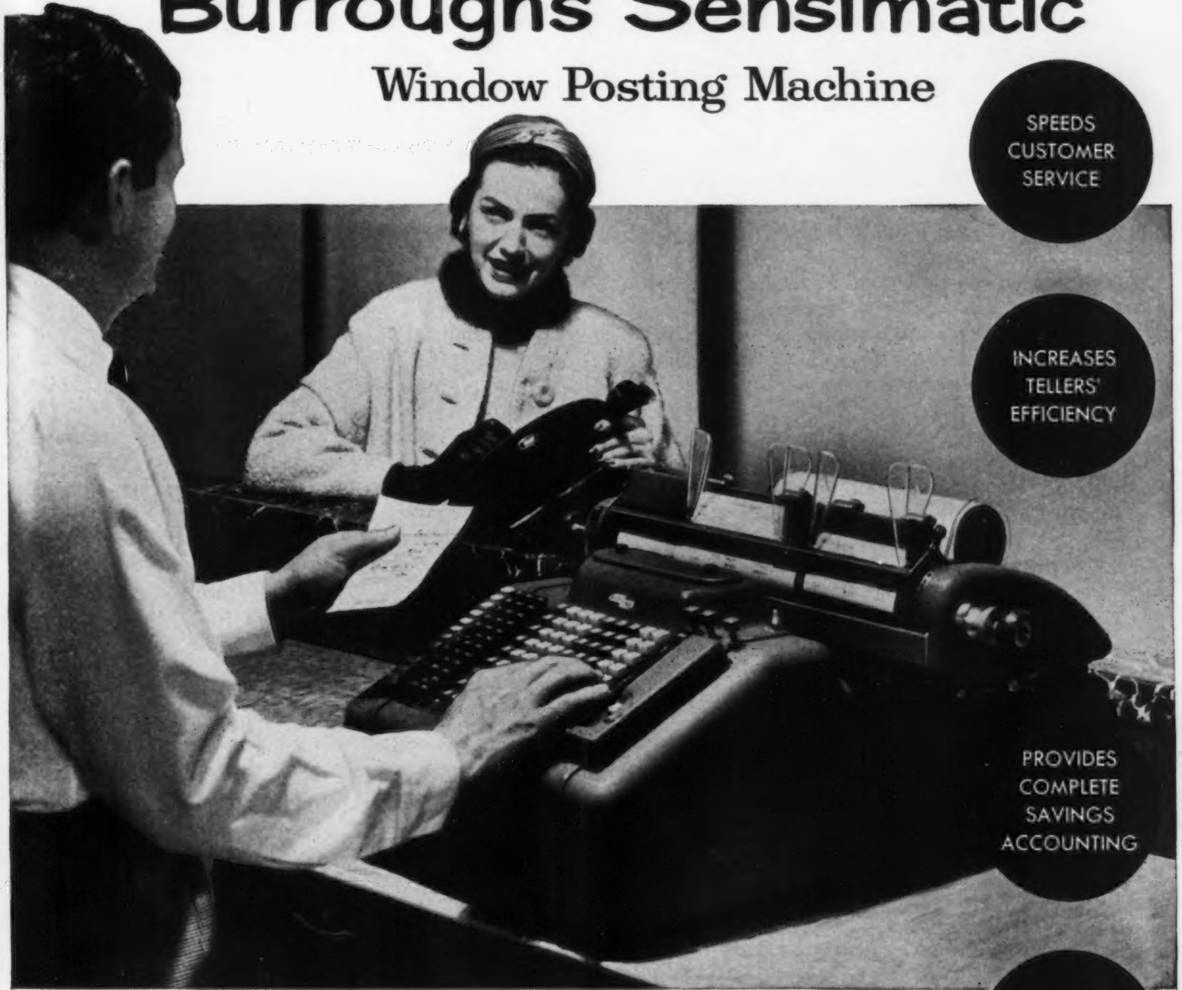
BANKING'S ADVERTISERS

March 1954

Join the Big Switch to

Burroughs Sensimatic

Window Posting Machine



SPEEDS CUSTOMER SERVICE

INCREASES TELLERS' EFFICIENCY

PROVIDES COMPLETE SAVINGS ACCOUNTING

REDUCES OPERATING COSTS

THE word in banking circles everywhere is that "The big switch is to Burroughs Sensimatic for posting savings passbooks, journal and ledgers." Here are some important reasons why: "Sensimatic handles window customers much faster" . . . "Cuts balancing time" . . . "Won't become obsolete—thanks to the exclusive interchangeable control panels" . . . "So simple to operate that a beginner can quickly become expert."

Sensimatic gives you extra return on your investment because it performs the complete savings accounting job from posting passbooks and ledger, through balancing cash, proving accuracy, to posting control ledgers. Sensimatic benefits can be obtained on dual as well as unit posting.

Furthermore, with a simple flick of the job selector knob, the Sensimatic can be changed to do other bank accounting operations.

Yes, everybody seems to be getting in on the big switch to Burroughs Sensimatic Accounting Machines. For a complete demonstration call your local Burroughs representative. Or write Burroughs Corporation, Detroit 32, Michigan.

WHEREVER THERE'S BUSINESS THERE'S **Burroughs**

Burroughs

The OUTLOOK
and Condition of Business

(CONTINUED FROM PAGE 33)

(7) We have billions of dollars for *social security;* it's being paid out; we had *none* in 1929.

(8) We have greater economic intelligence among businessmen than we had in 1929.

(9) We have had tremendous technological development since 1929 — in chemistry, electricity, nuclear physics, opening up the possibility of developments that we can hardly even imagine—in new industrial power, in new products, and in lower costs of production.

There could be some question about the order of importance and both lists could be extended. For example, many today would be inclined to head the list with Number 9, and there should certainly be included a word about that big national debt we have today compared with 25 years ago.

There is another basic difference between the situation now and 25 years ago that should be high on the list. In practically every great debatable issue today of a political or economic nature the division is not strictly on partisan lines. It is no longer possible to find a clear-cut, dependable political pattern on questions involving tariff, communist infiltration, the President's treaty powers, welfare legislation, labor legislation, sound money, economy, taxation, and defense spending. Voices on both political sides are heard on all sides of these questions.

It is significant that those most familiar with current, extraordinary, new technological developments are unanimous in thinking that the world just ahead will be as different from the present as the present is different from the pre-motorized world of 50 or 60 years ago.

A group of bankers not long ago heard one of the nation's leading business executives describe intimately how the automobile industry had just completed a vast retooling and redesigning job which would take care of models scheduled for 1955, 1956 and 1957. This equipment would then have to be scrapped to make way for an entirely new type of gas-turbined motor, without piston or crankshaft, heralding a new era of motor travel.

"If we worried," he said, "about a little percentage change this way or that in the business picture, we would be out of business."

On the one hand we see business in a mood of confidence, practically unanimous. On the other we have some political figures saying, as did one, that a person is afraid to express himself on danger signs for fear he will be charged with being a Communist. The same source said that if brave talk could have stopped a depression the "Hoover depression" would not have happened.

In the middle of this debate is the President, who said at a recent press conference that he did not think the country could be frightened into a major depression by talk but it might be misled into a minor recession.

The President's Economic Report comes as close to being a road map as anything available, and the road it favors is the middle one.

The function of the Economic Report is to appraise the economic outlook and to recommend measures to counter a depression and, presumably, inflation, too.

Taking the report as a whole, together with the appearances of Secretary Humphrey and other officials before the congressional committee, a picture emerges.

In the opinion of Federal officials, a favorable economic outlook is secure. The key to the present downturn is largely an inventory adjustment. When a period of inflation comes to an end, there are bound to be adjustments. Although he represents an independent agency and not the Administration, Chairman William McC. Martin of the Federal Reserve Board undoubtedly expressed views identical with those of the Administration when he said:

"In the light of history, it would be unrealistic to expect the economy to perform indefinitely without pause," and, later, "we need to reorient our thinking and to recognize that markets go down as well as up." Noting that some people have become so accustomed to inflation, recurring shortages, and ever-expanding output as to think any change from these conditions is ominous, Mr. Martin observed that "surely, it would be the height of folly to ride the witch's broomstick of inflation to the inevitable crash."

Further, this picture shows a belief that tax reduction and reduced Government spending, together with sound debt management, will encourage production and employment, even if business falls a little short of the peak rate of 1953.

In particular the Administration places considerable store on what Secretary Humphrey outlined as balanced tax reduction, meaning lower personal income taxes and numerous proposed changes in the tax law. These are designed to stimulate consumption, provide incentives for business, and sustain production and payrolls.

The Economic Report avoids pitfalls. Whereas the report and message promised that the Government would move vigorously against serious deflation, they avoided any detailed blueprint of these plans. Imagine how enticing the benefits of such plans would be to groups and localities affected.

One of the first things the Government indicated it would do would be to ease money and credit conditions, thus placing considerable emphasis on the nation's banking system as one of the first lines of defense against deflation. A broadening of Government guarantees of loans was also indicated, if necessary.

As for the present, there is still no clear sign that the dip in business activity has come to an end. Everything within reason is being done by the monetary and credit authorities to provide an ample flow of funds for the financing needs of the Treasury, states, municipalities, and private business.

WILLIAM R. KUHNS